

Henry Hospital District d/b/a Hammond-Henry Hospital

Financial Statements and Supplementary Information

Years Ended May 31, 2025 and 2024



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Henry Hospital District d/b/a Hammond-Henry Hospital

Years Ended May 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Henry Hospital District d/b/a Hammond-Henry Hospital
Geneseo, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the basic financial statements of Henry Hospital District d/b/a Hammond-Henry Hospital and its blended component Unit (collectively the "Organization"), which comprise the statements of net position as of May 31, 2025 and 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits 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 of America. 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 Organization 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.

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 Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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 Organization'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 Organization'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.

Supplementary Information

Required Supplementary Information

Accounting principles generally accepted in the United States required that the information listed in the table of contents related to the pension program be presented to supplement the basic financial statements. Such information, although not 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Organization has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary combining statement of net position and statement of revenues, expenses, and changes in net position, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2025, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
September 21, 2025

Henry Hospital District d/b/a Hammond-Henry Hospital

Statements of Net Position

<i>May 31,</i>	2025	2024
<i>Assets and Deferred Outflow of Resources</i>		
Current assets:		
Cash and cash equivalents	\$ 16,648,947	\$ 15,453,541
Patient accounts receivable - Net	4,516,164	5,646,655
Property taxes receivable	1,283,857	1,222,837
Other accounts receivable	657,589	491,664
Inventories	834,919	811,549
Prepaid expenses and other	855,890	875,921
Total current assets	24,797,366	24,502,167
Assets limited as to use	54,928,319	52,926,411
Capital assets:		
Nondepreciable capital assets	1,768,896	1,464,429
Depreciable capital assets - Net	21,095,433	23,298,432
Capital assets - net	22,864,329	24,762,861
Other assets:		
Subscription-based information technology assets	11,114,110	-
Other assets	869,035	869,035
Total other assets	11,983,145	869,035
Deferred outflows of resources - Pension	5,277,867	6,225,144
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 119,851,026	\$ 109,285,618

Henry Hospital District d/b/a Hammond-Henry Hospital

Statements of Net Position (Continued)

May 31,	2025	2024
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>		
Current liabilities:		
Current portion of long-term debt	\$ 1,148,997	\$ 1,122,523
Current portion of lease liabilities	770,596	1,147,427
Current portion of subscription liabilities	4,512,498	-
Accounts payable	1,609,311	850,435
Accrued salaries and wages	879,125	950,297
Accrued vacation payable	2,101,749	2,297,071
Accrued medical claims payable	286,093	393,648
Accrued payroll taxes and other	741,280	355,469
Amounts payable to third-party reimbursement programs	4,062,670	4,663,670
Total current liabilities	16,112,319	11,780,540
Long-term liabilities:		
Long-term debt - Less current portion	10,502,818	11,651,820
Long-term lease liabilities - Less current portion	1,594,093	2,344,065
Long-term subscription liabilities - Less current portion	5,295,776	-
Net pension liability	919,823	952,443
Other	963,238	963,238
Total long-term liabilities	19,275,748	15,911,566
Total liabilities	35,388,067	27,692,106
Deferred inflows of resources:		
Pension	20,711	56,084
Property taxes for succeeding year	377,605	359,658
Total deferred inflows of resources	398,316	415,742
Net position:		
Net investment in capital assets	9,122,969	8,497,026
Restricted - Expendable	465,268	441,712
Restricted - Nonexpendable	228,762	228,762
Unrestricted net position	74,247,644	72,010,270
Total net position	84,064,643	81,177,770
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 119,851,026	\$ 109,285,618

See accompanying notes to financial statements.

Henry Hospital District d/b/a Hammond-Henry Hospital

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended May 31,</i>	2025	2024
Revenue:		
Net patient service revenue	\$ 55,627,422	\$ 54,644,908
Other operating revenue	2,530,186	2,214,923
Total revenue	58,157,608	56,859,831
Operating expenses:		
Salaries and wages	29,141,770	26,846,232
Employee benefits	5,571,535	5,790,655
Supplies and other expenses	10,544,625	8,994,830
Purchased services	6,048,358	6,328,031
Physician fees	1,671,638	1,252,278
Utilities	652,238	662,895
Insurance	687,496	850,398
Repairs and maintenance	148,517	227,402
Depreciation and amortization	4,053,609	3,820,689
Total operating expenses before actuarial pension related expense	58,519,786	54,773,410
Income (loss) from operations before actuarial pension related expense	(362,178)	2,086,421
Employee benefits expense, change in actuarial pension obligation	879,284	125,513
Income (loss) from operations	(1,241,462)	1,960,908
Nonoperating revenues (expenses):		
Property tax revenue	1,015,957	1,032,359
Noncapital grants and contributions - Net	324,314	832,064
Interest expense	(473,230)	(561,606)
Investment income	3,290,934	2,559,822
Loss on disposal of capital assets	(63,823)	(9,165)
Total nonoperating revenues - Net	4,094,152	3,853,474
Revenue in excess of expenses	2,852,690	5,814,382
Contributions for capital assets	34,183	124,868
Increase in net position	2,886,873	5,939,250
Net position at beginning	81,177,770	75,238,520
Net position at end	\$ 84,064,643	\$ 81,177,770

See accompanying notes to financial statements.

Henry Hospital District d/b/a Hammond-Henry Hospital

Statements of Cash Flows

<i>Years Ended May 31,</i>	2025	2024
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Receipts from and on behalf of patients and other operating revenue	\$ 58,521,174	\$ 54,463,272
Payments of salaries, wages, and employee benefits	(33,822,259)	(32,264,387)
Payments to suppliers and other operating expenses	(20,151,763)	(18,969,711)
Net cash provided by operating activities	4,547,152	3,229,174
Cash flows from noncapital financing activities:		
Noncapital grants and contributions received - Net	324,314	513,120
Property taxes received	972,884	991,334
Net cash provided by noncapital financing activities	1,297,198	1,504,454
Cash flows from capital and related financing activities:		
Contributions received for capital asset purchases	34,183	124,868
Purchase of capital assets	(1,945,391)	(2,134,918)
Principal paid on long-term debt, lease, and subscription obligations	(3,688,857)	(2,509,793)
Interest paid on long-term debt, lease, and subscription obligations	(473,230)	(561,606)
Proceeds from sale of capital assets	135,325	16,934
Net cash used in capital and related financing activities	(5,937,970)	(5,064,515)
Cash flows from investing activities:		
(Increase) decrease in assets limited as to use other than for debt service	921,751	(2,117,763)
Interest income	367,275	355,099
Net cash provided by (used in) investing activities	1,289,026	(1,762,664)
Net increase (decrease) in cash and cash equivalents	1,195,406	(2,093,551)
Cash and cash equivalents - Beginning of year	15,453,541	17,547,092
Cash and cash equivalents - End of year	\$ 16,648,947	\$ 15,453,541

Henry Hospital District d/b/a Hammond-Henry Hospital

Statements of Cash Flows (Continued)

<i>Years Ended May 31,</i>	2025	2024
Reconciliation of income (loss) from operations to net cash provided by operating activities:		
Income from operations	\$ (1,241,462)	\$ 1,960,908
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Provision for bad debts	2,312,208	1,971,691
Depreciation and amortization	4,053,609	3,820,689
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,181,717)	(3,818,844)
Inventories	(23,370)	11,794
Prepaid expenses and other assets	(145,894)	(368,971)
Accounts payable	483,732	(286,001)
Amounts due to third-party reimbursement programs	(601,000)	(431,652)
Net pension liability	(32,620)	(1,811,963)
Deferred outflows of resources from operations	947,277	2,070,576
Deferred inflows of resources for operations	(35,373)	(136,040)
Other accrued liabilities	11,762	246,987
Total adjustments	5,788,614	1,268,266
Net cash provided by operating activities	\$ 4,547,152	\$ 3,229,174
Supplemental cash flow information:		
Purchases of capital assets included in accounts payable	\$ 275,144	\$ -
Capital assets acquired with lease obligations	-	569,114
Assets acquired with subscription-based information technology arrangements	11,247,800	-
See accompanying notes to financial statements.		

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity and Nature of Business

Henry Hospital District d/b/a Hammond-Henry Hospital (the "Hospital"), located in Geneseo, Illinois, is a public 23-bed acute care hospital with an attached 38-bed long-term care unit. The Hospital provides related health care ancillary, outpatient services, and clinical care. The Hospital also operates clinics in Geneseo, Annawan, Colona, and Kewanee, Illinois. The Hospital is governed by a nine member Board of Directors. The component unit, discussed below, is included in the basic financial statements because the nature and significance of its relationship to the Hospital is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete under criteria set forth by the Government Accounting Standards Board ("GASB"). Collectively these entities are referred to as the "Organization."

Hammond-Henry Hospital Foundation (the "Foundation") is a legally separate organization which the Organization has determined should be presented as a blended component unit. The Foundation has a specific financial benefit or burden to the Organization by providing financial and fundraising assistance and support in the furtherance of health care services. The Foundation is supported primarily by contributions from the Hospital's employees and the general public. All significant intercompany transactions and balances have been eliminated in the preparation of the accompanying financial statements.

Method of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Organization's financial statements are presented using the economic resources measurement focus, which uses the accrual basis of accounting.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Organization considers critical accounting estimates to be those that require more significant judgments and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts, estimated third-party payors' settlements, the reserve for self-funded employee health plan claims, and the actuarially determined estimated net pension asset or liability.

Cash Equivalents

Highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, excluding amounts limited as to use or restricted.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Organization bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectibility of patient accounts receivable, the Organization analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debt. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Inventories

Inventories of supplies are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use and Investment Income (Loss)

Assets limited as to use consist of investments recorded at fair value and include assets the Board of Directors has designated for future capital improvements and expansion, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes and amounts restricted by donors.

Restricted funds are used to differentiate funds which are limited by the donor to specific uses from funds on which the donor places no restriction or which arise as a result of the operation of the Hospital for its stated purposes. Resources set aside for Board-designated purposes are not considered to be restricted. Grants restricted for specific operating purposes are reported as other operating revenues. Resources restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent expended within the period.

Investment income or loss (including realized gains and losses on investments, interest, dividends, and unrealized gains and losses) is reported as nonoperating revenues (expenses) and is included in unrestricted net position unless the income is restricted by donor or law. Realized gains or losses are determined by specific identification.

The Organization monitors the difference between the cost and fair value of its investments. If investments experience a decline in value that the Organization determines is other than temporary, the Organization records a realized loss in investment income.

Fair Value Measurements

The Organization measures fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 5 to 20 years for major movable equipment and from 5 to 40 years for land improvements, buildings, and fixed equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from income (loss) from operations, unless explicit donor stipulations specify how the donated assets must be used. 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 expendable net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the accompanying statements of revenue, expenses, and changes in net position. During 2025 and 2024, the Organization determined that no evaluations of recoverability were necessary.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Leases

The Organization is a lessee in multiple noncancelable leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Leased assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The leased asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases or decreases to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Organization's incremental borrowing rate. This rate is used to calculate the present value of future lease payments. This rate is an alternative investment rate for other than short-term or long-term investments and is materially the same as the rate the Organization might incur from an external lender.

For all underlying classes of assets, the Organization does not recognize leased assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straightline basis over the lease term.

Subscription Based Information Technology Arrangements

The Organization is a party to multiple noncancelable subscription based information technology arrangements ("SBITAs"). If the contract provides the Organization the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred.

The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the Organization's incremental borrowing rate.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangements (Continued)

For all underlying classes of assets, the Organization does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

Deferred Outflows/Inflows of Resources

In addition to assets, the accompanying statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Organization has one item that qualifies for reporting in this category. The Organization reports deferred outflows of resources related to pension for its proportionate shares of collective deferred outflows of resources related to pensions and the Organization's contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the accompanying statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Organization reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions, property taxes levied in the current year for a subsequent year, funding received for services to be provided in a subsequent year, and rental revenue collected in advance of the service provided by the Organization.

Net Pension Asset and Liability

The Organization participates in a cost-sharing multiple-employer defined benefit pension plan, the Illinois Municipal Retirement Fund ("IMRF"). For purposes of measuring the net pension asset or liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of IMRF, and additions to/deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. IMRF investments are reported at fair value.

Compensated Absences

Organization policies permit most employees to accumulate paid time off ("PTO") benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position of the Organization is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is a noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the facility. Restricted nonexpendable net position is a noncapital net position that has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definitions above.

Operating Revenues and Expenses

The Organization's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenues include the exchange transactions associated with providing health care services other than noncapital grants and contributions. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenue and expenses are those transactions not considered directly linked to providing health care services, other than grants and contributions for capital assets which are reported separately.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retroactive adjustments. 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.

For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by the Organization's uninsured patient policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services that are provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Grants and Contributions

The Organization receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is 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 are restricted to a specific operating purpose are reported as nonoperating revenue (expenses).

Property Taxes

Property taxes are recognized as assets in the period an enforceable legal claim to the assets arise. The current taxes receivable represents the calendar year 2024 levy and an estimate of the 2025 levy applicable to the fiscal year ended May 31, 2025. Property taxes are certified in December and attached as an enforceable lien on the property as of the preceding January 1. Revenue from property taxes, which are levied for operating purposes, is recognized in the year levied. Property taxes that are not available for current year operations are shown as deferred inflows of resources on the accompanying statements of net position.

Advertising Costs

Advertising costs are expensed as incurred.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unemployment Compensation

The Organization has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when paid or when the amount of the claims can be estimated.

Income Taxes

As a political subdivision of the state of Illinois, the Hospital is generally exempt from federal income taxes on related income pursuant to Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and similar provision of state law; however, it is subject to federal income tax on any unrelated business taxable income.

Subsequent Events

Subsequent events have been evaluated through September 21, 2025, which is the date the financial statements were available to be issued.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors

The Organization has agreements with third-party payors that provide for reimbursement at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare - The Medicare program has designated the Organization as a CAH for Medicare reimbursement purposes. Under this designation, inpatient, swing-bed, and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain laboratory and mammography services. Certain professional services provided by physicians and other clinicians are reimbursed based on prospectively determined fee schedules. Home care and long-term care services are reimbursed on a prospective payment basis.

Medicaid - Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive proper reimbursement, the Organization must file a cost report annually with the State of Illinois.

Blue Cross Blue Shield - The Organization is paid for services rendered to Blue Cross Blue Shield beneficiaries based on a combination of fixed prices and discounted charges. Blue Cross Blue Shield processes claims under a uniform payment plan on an interim basis subject to a monthly reconciliation between actual payments received and the agreed-upon contractual amounts. The monthly reconciliation process results in a recognition of a liability that will be liquidated within 90 days.

Others - The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Nursing Home Services

Medicare - Medicare pays for Part A services based on a predetermined rate per resident day, which varies depending upon the resident's level of care and the types of services provided. Medicare pays for Part B services based on predetermined fee schedules.

Medicaid - Some of the Organization's nursing home services were provided to aged and disabled nursing home residents who were beneficiaries of the Illinois Public Aid program. Illinois Public Aid reimburses the Organization on a prospectively determined rate per diem. The rate is determined on a cost-related basis subject to certain limitations as prescribed by the State of Illinois and adjusted based on the average acuity of the residents in the facility. The State of Illinois updates and makes adjustments to the nursing home Medicaid rates based on average resident acuity as reported by each facility in the previous 90-day period.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Rural Health Clinic Services

Medicare - Certain physician and professional services rendered to Medicare beneficiaries at certain clinics qualify for reimbursement as rural health clinic ("RHC") services. Qualifying services are reimbursed based on a cost-reimbursement methodology.

Medicaid - Clinic services rendered to Illinois Public Aid beneficiaries at certain clinics are paid at prospectively determined rates that are updated annually.

Hospital Medicaid Assessment Programs

The Organization records additional Medicaid revenue from the State of Illinois Hospital Assessment Program when received. Under the hospital assessment program, each hospital is assessed based on their adjusted gross hospital revenue in order to provide for additional Medicaid revenues to be redistributed to hospitals in the State of Illinois under various payment programs. Governmental hospitals, including the Organization, are exempt from paying the assessment but are still eligible to participate in the enhanced payments.

In accordance with 305 ILCS 5/5A-12.4, enacted in 2012, the Illinois Department of Healthcare and Family Services started making Hospital Access Improvement Payments in state Fiscal Year 2014 after federal approval was achieved. The program is commonly referred to as the Enhanced Hospital Assessment and was effective for the period June 10, 2012 through June 30, 2018.

In accordance with Public Act 98-651 (SB 741), enacted on June 16, 2014, the State of Illinois authorized the creation of the Managed Care Organization Hospital Access Program, commonly known as MCO-HAP. Under this program, a portion of the funds that are currently paid to hospitals under the Hospital Assessment Program will be paid to Medicaid managed care organizations (MCOs) as increased capitation rates. The MCOs may then only use the increased capitation rates to make payments to hospitals in a manner that replicates the payment of the hospital access payments under the Hospital Assessment Program.

In accordance with 305 ILCS 5/5A-12.5, enacted in 2014, the Illinois Department of Healthcare and Family Services (HFS) requested new supplemental payments to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act ("ACA"). In January 2015 HFS was granted approval by the Centers for Medicare and Medicaid Services (CMS). The program is commonly referred to as the ACA Expansion Payments and was in effect in its current design through June 30, 2018.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

In accordance with Public Act 99-516 (HB4678), enacted in 2016, the State of Illinois authorized the extension of the Affordable Care Act Expansion Payments for adults enrolled in Managed Care Organizations. Under 305 ILCS 5/5A- 12.5, the supplemental payments were for newly eligible Medicaid beneficiaries under the Affordable Care Act. With the shift to managed care, the ACA Access Payments are now extended to Affordable Care At adults in Managed Care Organizations. This program was in effect in its current design through June 30, 2018.

The assessment and supplemental payment programs were extended under a redesigned program that was approved and extended through June 30, 2025, and are being reviewed and updated as a part of the State of Illinois Budget which will go into effect retroactively back to July 1, 2025 when approved.

Under federal legislation known as the One Big Beautiful Bill ("OB BB"), which was signed into law on July 4, 2025, significant changes will be implemented started January 1, 2026 to the federal spending on Medicaid and the ACA. The assessment and supplemental payment programs are currently being discussed by state of Illinois legislation due to the changes in federal financial support of the ACA expansion.

Accounting for Contractual Arrangements

The Organization is reimbursed for cost-reimbursable items at tentative rates, with final settlements determined after audit of the related annual cost reports by the Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying financial statements. The Organization's cost reports have been reviewed by the Medicare fiscal intermediary through May 31, 2022.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 3: Deposits and Investments

Deposits

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

Illinois state statutes authorize the Hospital to make deposits and investments in interest-bearing depository accounts in federally insured and/or state-chartered banks and savings and loan associations or other financial institutions, as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the U.S. Treasury or agencies of the United States, money market mutual funds whose portfolios consist of government securities, the Illinois Public Treasury's Investment Pool, and the Illinois Funds Investment Pool (the "Pool"). The Hospital's investments consist entirely of cash depository accounts, certificates of deposit, and money market funds.

The Hospital's deposit bank depository, certificates of deposit, and money market funds balances were fully collateralized by a pledging financial institution's trust department or agent in other than the Hospital's name at May 31, 2025 and 2024.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

The composition of the Foundation's investments and deposits are determined by the Foundation's Board of Directors, which is not subject to the same restrictions imposed by state law on the Hospital related to investments and depository accounts.

As of May 31, 2025 and 2024, the composition of the Organization's investments held at each of these dates are all anticipated to have a maturity within one year or less.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Summary of Carrying Values and Classifications of Deposits and Investments

The carrying value of deposits and investments shown above are included in the statements of net position at May 31 as follows:

	2025	2024
Deposits and Investments:		
Cash - Hospital	\$ 8,635,723	\$ 7,771,480
Cash - Foundation	241,320	101,330
Money market funds - Hospital	11,811,654	7,915,881
Money market funds - Foundation	262,272	243,483
Certificates of deposit - Hospital	1,197,702	1,140,658
Trading certificates of deposit - Hospital	10,449,765	12,035,801
Fixed income securities - U.S. Treasury & Municipal bond obligations - Hospital	35,339,744	35,871,885
Mutual funds - Foundation	3,639,086	3,299,434
Totals	\$ 71,577,266	\$ 68,379,952
Included in the following statements of net position captions:		
Cash and cash equivalents	\$ 16,648,947	\$ 15,453,541
Assets limited as to use	54,928,319	52,926,411
Totals	\$ 71,577,266	\$ 68,379,952

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. There are no restrictions on the Foundation's investment portfolio other than to comply with specified donor restrictions when applicable.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Investment income (loss): Investment income (loss), including return on assets limited as to use or restricted and assets held by the Foundation, for the years ended May 31, 2025 and 2024, is summarized as follows:

	2025	2024
Hospital:		
Realized gains on investments, interest, and dividends - Net	\$ 1,646,121	\$ 1,530,467
Change in net unrealized gain (loss) on investments	1,233,344	482,967
Foundation:		
Realized gains on investments, interest, and dividends - Net	256,665	119,726
Change in net unrealized loss on investments	154,804	426,662
Totals	\$ 3,290,934	\$ 2,559,822

Note 4: Assets Limited as to Use

Assets limited as to use consist of the following designations and restrictions at May 31:

	2025	2024
By Board of Directors for capital improvements	\$ 51,026,961	\$ 49,383,495
Amounts held by Foundation and donor-restricted funds	3,901,358	3,542,916
Total assets limited as to use	\$ 54,928,319	\$ 52,926,411

Note 5: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- Money market funds are measured using \$1 as net asset value ("NAV"). Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. Fixed income securities including corporate bonds, local government bonds, foreign bonds, and U.S. Government and agency securities are primarily valued using quotes from pricing vendors for identical or similar assets based on recent trading activity and other observable market data. Trading certificates of deposit are valued based on the principal invested plus accrued interest, and then adjusted by trading rates provided by financial institutions and pricing agencies who work within the market.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 5: Fair Value Measurements (Continued)

The previously described methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. In addition, the Organization believes its valuation methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of May 31:

2025	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ -	\$ 12,073,926	\$ -	\$ 12,073,926
Mutual funds - Equity securities	3,639,086	-	-	3,639,086
Fixed income securities - U.S. Treasury & Municipal bond obligations	-	35,339,744	-	35,339,744
Trading certificates of deposit	-	10,449,765	-	10,449,765
Total	\$ 3,639,086	\$ 57,863,435	\$ -	\$ 61,502,521

2024	Fair Value Measurements Using			Total Assets at
	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ -	\$ 8,159,364	\$ -	\$ 8,159,364
Mutual funds - Equity securities	3,299,434	-	-	3,299,434
Fixed income securities - U.S. Treasury & Municipal bond obligations	-	35,871,885	-	35,871,885
Trading certificates of deposit	-	12,035,801	-	12,035,801
Total	\$ 3,299,434	\$ 56,067,050	\$ -	\$ 59,366,484

The assets included in the fair value measurements table above at both May 31, 2025 and 2024, include all assets included in assets limited as to use as described in Note 4, with the exception of cash and certificates of deposit which are excluded from the fair value measurement table.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 6: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following at May 31:

	2025	2024
Gross patient accounts receivable	\$ 14,257,427	\$ 17,961,148
Less:		
Contractual adjustments	6,777,549	9,138,046
Allowance for uncollectible accounts	2,963,714	3,176,447
Patient accounts receivable - Net	\$ 4,516,164	\$ 5,646,655

Note 7: Net Patient Service Revenue

The following table sets forth the detail of net patient service revenue for the years ended May 31:

	2025	2024
Gross patient service revenue:		
Hospital	\$ 122,090,360	\$ 113,274,665
Long-term care	3,442,737	3,086,378
Home health	748,686	641,337
Clinics	17,974,916	17,532,226
Total gross patient service revenue	144,256,699	134,534,606
Less:		
Contractual allowances	86,317,069	77,918,007
Provision for bad debts	2,312,208	1,971,691
Net patient service revenue	\$ 55,627,422	\$ 54,644,908

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 8: Charity Care

The Organization provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's financial assistance policy and from applications completed by patients and their families. The Organization is also required to provide additional discounts to uninsured hospital patients under the Hospital Uninsured Patient Discount Act as required by Illinois state law.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the Organization's charity care policy. The Organization maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the Organization's charity care policy aggregated \$294,528 and \$143,631 for the years ended May 31, 2025 and 2024, respectively.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 9: Capital Assets

Capital asset balances and activity for the year ended May 31, 2025, were as follows:

	Balance June 1, 2024	Increases	Decreases and Transfers	Balance May 31, 2025
Nondepreciable capital assets:				
Land	\$ 1,358,669	\$ 18,700	\$ (23,100)	\$ 1,354,269
Construction in progress	105,760	1,154,263	(845,396)	414,627
Total nondepreciable capital assets	1,464,429	1,172,963	(868,496)	1,768,896
Depreciable capital assets:				
Land improvements	1,658,717	123,600	-	1,782,317
Building and improvements	48,720,650	567,760	(191,974)	49,096,436
Software	2,416,300	-	(38,364)	2,377,936
Leased assets	5,853,464	-	-	5,853,464
Equipment	14,896,700	1,224,708	(593,820)	15,527,588
Total depreciable capital assets	73,545,831	1,916,068	(824,158)	74,637,741
Accumulated depreciation:				
Land improvements	1,419,953	58,334	-	1,478,287
Buildings and improvements	33,324,104	1,447,819	(31,470)	34,740,453
Software	2,108,830	112,587	(38,364)	2,183,053
Leased assets	2,406,780	1,127,015	-	3,533,795
Equipment	10,987,732	1,174,164	(555,176)	11,606,720
Total accumulated depreciation	50,247,399	3,919,919	(625,010)	53,542,308
Depreciable capital assets - Net	23,298,432	(2,003,851)	(199,148)	21,095,433
Capital assets - Net	\$ 24,762,861	\$ (830,888)	\$ (1,067,644)	\$ 22,864,329

Construction in progress at May 31, 2025, primarily represents costs associated with minor hospital and clinic facility renovation projects, as well as preliminary equipment installation costs. The majority of these items are anticipated to be placed into service in 2025, and there are no material commitments related to these projects at May 31, 2025.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 9: Capital Assets (Continued)

Capital asset balances and activity for the year ended May 31, 2024, were as follows:

	Balance June 1, 2023	Increases	Decreases and Transfers	Balance May 31, 2024
Nondepreciable capital assets:				
Land	\$ 1,358,669	\$ -	\$ -	\$ 1,358,669
Construction in progress	881,117	1,005,827	(1,781,184)	105,760
Total nondepreciable capital assets	2,239,786	1,005,827	(1,781,184)	1,464,429
Depreciable capital assets:				
Land improvements	1,658,717	-	-	1,658,717
Building and improvements	48,405,357	315,293	-	48,720,650
Software	2,134,550	294,805	(13,055)	2,416,300
Leased assets	5,681,016	172,448	-	5,853,464
Equipment	13,519,599	2,025,033	(647,932)	14,896,700
Total depreciable capital assets	71,399,239	2,807,579	(660,987)	73,545,831
Accumulated depreciation:				
Land improvements	1,360,671	59,282	-	1,419,953
Buildings and improvements	31,868,689	1,455,415	-	33,324,104
Software	2,048,434	73,451	(13,055)	2,108,830
Leased assets	1,711,492	695,288	-	2,406,780
Equipment	10,468,978	1,140,587	(621,833)	10,987,732
Total accumulated depreciation	47,458,264	3,424,023	(634,888)	50,247,399
Depreciable capital assets - Net	23,940,975	(616,444)	(26,099)	23,298,432
Capital assets - Net	\$ 26,180,761	\$ 389,383	\$ (1,807,283)	\$ 24,762,861

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 10: Long-Term Debt

Long-term debt consisted of the following at May 31:

	Balance June 1, 2024	Additions	Reductions	Balance May 31, 2025	Amounts Due Within One Year
Direct placements:					
Alternate revenue source bonds, Series 2019 (b)	\$ 12,299,343	\$ -	\$ (1,022,528)	\$ 11,276,815	\$ 1,048,997
Direct borrowing:					
Note payable (c)	475,000	-	(100,000)	375,000	100,000
Total long-term debt	12,774,343	<u>\$ -</u>	<u>\$ (1,122,528)</u>	11,651,815	<u>\$ 1,148,997</u>
Less - Current portion	<u>1,122,523</u>			<u>1,148,997</u>	
Long-term debt - Excluding current portion	<u>\$ 11,651,820</u>			<u>\$ 10,502,818</u>	
	Balance June 1, 2023	Additions	Reductions	Balance June 1, 2024	Amounts Due Within One Year
Direct placements:					
Alternate revenue source bonds, Series 2019 (b)	\$ 13,294,714	\$ -	\$ (995,371)	\$ 12,299,343	\$ 1,022,523
Alternate revenue source bonds, Series 2013 (a)	338,713	-	(338,713)	-	-
Direct borrowing:					
Note payable (c)	575,000	-	(100,000)	475,000	100,000
Total long-term debt	14,208,427	<u>\$ -</u>	<u>\$ (1,434,084)</u>	12,774,343	<u>\$ 1,122,523</u>
Less - Current portion	<u>1,434,084</u>			<u>1,122,523</u>	
Long-term debt - Excluding current portion	<u>\$ 12,774,343</u>			<u>\$ 11,651,820</u>	

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 10: Long-Term Debt (Continued)

Direct Placement Debt:

- (a) In October 2013, the Organization issued \$5,857,906 General Obligation Alternate Revenue Source, Series 2013 at a premium with an interest rate of 2.56% and varying maturities due monthly. Final payment was made in October 2023.
- (b) In December 2019, the Organization issued \$15,930,000 General Obligation Refunding Bonds, Series 2019 at a discount with an interest rate of 2.7492% and varying maturities due monthly through December 2034. The Series 2019 Bonds were issued to refinance the remaining outstanding balances on the Series 2010A and 2010B Bonds.

Direct Borrowing:

- (c) In February 2019, the Organization entered into a non-interest bearing note with the City of Geneseo and issued \$1,000,000 in additional long-term debt to assist with an emergency room renovation project. The note is due in monthly principal payments of \$8,333 starting in May 2019. Final payment is due on the note in February 2029.

The Series 2019 Bonds were issued with the expectation they would be payable from the Organization's revenues. The Organization irrevocably pledged its full faith and credit to the punctual payment of principal and interest on the bonds. Total principal and interest remaining to pay on these bonds is \$11,276,815 at May 31, 2025.

The bond indentures include various covenants to be met, including certain measures of financial performance.

Scheduled principal and interest repayments on long-term debt are as follows at May 31, 2025:

	Principal	Interest
2026	\$ 1,149,001	\$ 301,081
2027	1,175,217	271,519
2028	1,203,877	241,826
2029	1,208,310	210,044
2030	1,163,413	178,080
2031-2035	5,751,997	382,155
Totals	\$ 11,651,815	\$ 1,584,705

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 11: Leases

Changes in leases obligations consisted of the following for the years ended May 31:

	Balance June 1, 2024	Additions	Reductions	Balance May 31, 2025	Amounts due Within One Year
Nuclear Medicine Equipment					
(a)	\$ 629,075	\$ -	\$ (167,584)	\$ 461,491	\$ 177,037
Canon 6170 Ultrasound (b)	277,941	-	(93,202)	184,739	98,460
Canon 7040 Ultrasound (c)	129,145	-	(36,295)	92,850	38,342
Carefusion (f)	287,903	-	(67,733)	220,170	71,552
Huntington (g)	152,111	-	(100,010)	52,101	52,101
Intuitive (h)	384,003	-	(353,946)	30,057	30,058
D Johnson Cambridge (i)	32,638	-	(22,774)	9,864	7,909
J&S Kewanee (j)	714,427	-	(111,655)	602,772	109,286
Ashkin Holdings (k)	393,661	-	(38,975)	354,686	42,092
Stryker Scope (l)	224,268	-	(58,217)	166,051	61,783
Lodgevision (m)	55,305	-	(12,710)	42,595	13,366
Zimmer (n)	211,015	-	(63,702)	147,313	68,610
Leases payable	\$ 3,491,492	\$ -	\$ (1,126,803)	\$ 2,364,689	\$ 770,596

*

	Balance June 1, 2023	Additions	Reductions	Balance May 31, 2024	Amounts due Within One Year
Nuclear Medicine Equipment					
(a)	\$ 787,710	\$ -	\$ (158,635)	\$ 629,075	\$ 167,584
Canon 6170 Ultrasound (b)	366,167	-	(88,226)	277,941	93,202
Canon 7040 Ultrasound (c)	163,502	-	(34,357)	129,145	36,295
Stryker Flex (d)	41,131	-	(41,131)	-	-
Stryker Endoscopy (e)	13,094	-	(13,094)	-	-
Carefusion (f)	352,018	-	(64,115)	287,903	67,732
Huntington (g)	246,781	-	(94,670)	152,111	100,010
Intuitive (h)	725,792	-	(341,789)	384,003	353,946
D Johnson Cambridge (i)	54,195	-	(21,557)	32,638	22,878
J&S Kewanee (j)	817,997	-	(103,570)	714,427	131,966
Ashkin Holdings (k)	429,700	-	(36,039)	393,661	38,976
Stryker Scope (l)	-	247,598	(23,330)	224,268	58,484
Lodgevision (m)	-	67,336	(12,031)	55,305	12,652
Zimmer (n)	-	254,180	(43,165)	211,015	63,702
Leases payable	\$ 3,998,087	\$ 569,114	\$ (1,075,709)	\$ 3,491,492	\$ 1,147,427

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Organization as Lessee

The terms and expiration dates of the Organization's lease obligations at May 31, 2025, are as follows:

- (a) Lease obligation for a nuclear medicine equipment, maturing November 2027, payable in monthly installments of \$16,500 including interest with a rate of 5.5%.
- (b) Lease obligation for an ultrasound system, maturing March 2027, payable in monthly installments of \$8,847 including interest with a rate of 5.5%.
- (c) Lease obligation for an ultrasound system, maturing September 2027, payable in monthly installments of \$3,541 including interest with a rate of 5.5%.
- (d) Lease obligation for surgical equipment, maturing December 2023, payable in monthly installments of \$6,965 including interest with a rate of 5.5%. This lease was repaid in full in 2024.
- (e) Lease obligation for surgical equipment, maturing December 2023, payable in monthly installments of \$2,218 including interest with a rate of 5.5%. This lease was repaid in full in 2024.
- (f) Lease obligation for a radio frequency generator, maturing April 2028, payable in monthly installments of \$6,823 including interest with a rate of 5.5%.
- (g) Lease obligation for colonoscopy equipment and monitor, maturing December 2025, payable in monthly installments of \$8,823 including interest with a rate of 5.5%.
- (h) Lease obligation for surgical equipment/tools and system, maturing June 2025, payable in monthly installments of \$30,145 including interest with a rate of 3.5%.
- (i) Lease obligation for the Cambridge Clinic location at 106 North East Street, Cambridge, Illinois, maturing October 2025, payable in monthly installments of \$2,000, with annual increases in the installment payment, including interest with a rate of 5.5%.
- (j) Lease obligation for Kewanee Clinic location at 1258 West South Street, Kewanee, Illinois, maturing October 2029, payable in monthly installments of \$12,241, with annual increases in the installment payment, including interest with a rate of 5.5%.
- (k) Lease obligation for the Annawan Clinic location at 203 West Front Street, Annawan, Illinois, maturing February 2032, payable in monthly installments of \$5,416 including interest with a rate of 5.5%.
- (l) Lease obligation for surgical equipment, maturing December 2027, payable in monthly installments of \$5,758 including interest with a rate of 5.5%.
- (m) Lease obligation for telecommunications equipment, maturing May 2028, payable in monthly installments of \$1,286 including interest with a rate of 5.5%.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

(n) Lease obligation for surgical equipment, maturing June 2027, payable in monthly installments of \$5,000 including interest with a rate of 5.5%.

Capital assets, and their related accumulated amortization, which are being utilized during the lease terms described above, are included in capital assets within the accompanying statements of net position as well as within Note 9 as leased assets.

Future minimum lease payments as of May 31, 2025, are:

	Leases		
	Principal	Interest	Total
2026	\$ 770,596	\$ 107,213	\$ 877,809
2027	715,992	67,351	623,809
2028	406,985	32,661	397,560
2029	201,819	17,847	476,876
2030	237,725	13,149	250,874
2031 - 2032	31,572	-	31,572
Total	\$ 2,364,689	\$ 238,221	\$ 2,602,910

Note 12: Subscription-Based Information Technology Arrangements

The Organization has entered into noncancelable subscription-based information technology arrangements ("SBITA") with third parties. The agreements were signed during the year ended May 31, 2025, and mature in varying dates through May 31, 2030. Assets being utilized, primarily software, under the SBITAs are included in other assets in the accompanying statements of net position. SBITA asset cost and accumulated amortization were \$11,247,801 and \$133,691, respectively, at June 30, 2025.

The related subscription liabilities have been discounted at a rate of 4.01%. Below is a schedule of the estimated required payments, excluding any additional implementation payments which will be made through the maturity of the arrangement. Any future extensions will be determined and negotiated between the Organization and the third parties in the future and due to the terms of the agreement are not included in the calculated subscription asset or liability at May 31, 2025.

	Amounts Due
2026	\$ 4,536,359
2027	1,489,599
2028	1,499,022
2029	1,509,198
2030	1,371,816
Total payments	\$ 10,405,994
Less - Interest	(597,720)
Total	\$ 9,808,274

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans

Illinois Municipal Retirement Fund (IMRF)

Plan Description

The Organization sponsors a defined benefit pension plan for employees, which provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Organization's plan is managed by the Illinois Municipal Retirement Fund ("IMRF"), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011. The ECO plan was closed to new participants after that date.

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

Employees Covered by Benefit Terms

As of December 31, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Retirees and beneficiaries currently receiving benefits	264	257
Inactive plan members entitled to but not yet receiving benefits	436	403
Active Plan members	370	349
Totals	1,070	1,009

Plan Measurement Date

As a participant of IMRF, the Organization's plan measurement date is as of December 31, 2024 and 2023.

Contributions

As set by statute, the Organization's Regular Plan Members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Organization's annual contribution rate for calendar years 2024 and 2023 was 4.40 percent and 4.26 percent, respectively. For the fiscal years ended May 31, 2025 and 2024, the Organization contributed \$1,105,412 and \$915,780, respectively, to the plan. The Organization also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

Pension Assets and Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At May 31, 2025 and 2024, the Organization reported liabilities of \$919,823 and \$952,443, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2024 and 2023, respectively.

For the years ended May 31, 2025 and 2024, the Organization recognized total pension expense, including actuarial changes, of \$1,888,497 and \$1,051,867, respectively. At May 31, 2025 and 2024, respectively, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2025</u>		
Differences between expected and actual experience	\$ 2,505,784	\$ -
Net difference between projected and actual earnings on pension plan investments	1,630,347	-
Changes in assumptions	-	20,711
Organization's contributions made subsequent to the measurement date	1,141,736	-
<u>Totals</u>	<u>\$ 5,277,867</u>	<u>\$ 20,711</u>

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,665,193	\$ -
Net difference between projected and actual earnings on pension plan investments	3,630,205	-
Changes in assumptions	-	56,084
Organization's contributions made subsequent to the measurement date	929,746	-
Totals	\$ 6,225,144	\$ 56,084

At May 31, 2025, the Organization reported \$1,141,736 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending May 31, 2025. Other amounts reported as net deferred outflows of resources and deferred inflows of resources at May 31, 2025, related to pensions, will be recognized in pension expense as follows:

2026	\$ 2,258,500
2027	2,961,457
2028	(711,071)
2029	(393,466)
Total	\$ 4,115,420

Actuarial Assumptions

The total pension liability in the December 31, 2024 and 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The Actuarial Cost Method used was Entry Age Normal.

The Asset Valuation Method used was 5-year smoothed market, 20% corridor.

The inflation rate was assumed to be 2.75 percent and 2.25 percent at December 31, 2024 and 2023, respectively.

The price inflation rate was assumed to be 2.25 percent at both December 31, 2024 and 2023.

Salary increases were expected to range from 2.75 to 13.75 percent, including inflation at both December 31, 2024 and 2023.

The Investment Rate of Return was assumed to be 7.25 percent in both 2024 and 2023.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

Projected Retirement Age was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2020 valuation according to an experience study from years 2017 to 2019.

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106 percent) and Female (adjusted 105 percent) tables, and future mortality improvements projected using scale MP-2020.

For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

There were no benefit changes during the plan years ended December 31, 2024 and 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables for 2024 and 2023, respectively:

2024

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	4.35 %
International equity	18.00 %	5.40 %
Fixed income	24.50 %	5.20 %
Real estate	10.50 %	6.40 %
Alternatives	12.50 %	11.10 %
Cash equivalents	1.00 %	3.60 %

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

2023

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	34.50 %	5.00 %
International equity	18.00 %	6.35 %
Fixed income	24.50 %	4.75 %
Real estate	10.50 %	6.30 %
Alternatives	11.50 %	14.70 %
Cash equivalents	1.00 %	3.80 %

Single Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension obligation at both December 31, 2024 and 2023. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

Changes in the net pension obligation:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balance at December 31, 2022	\$ 68,253,306	\$ 65,488,900	\$ 2,764,406
Changes for the year:			
Service cost	1,789,465	-	1,789,465
Interest on the total pension liability	4,887,939	-	4,887,939
Difference between expected and actual experience of the total pension liability	679,102	-	679,102
Changes of assumptions	(46,781)	-	(46,781)
Contributions - Employer	-	915,780	(915,780)
Contributions - Employees	-	935,258	(935,258)
Net investment income	-	7,125,890	(7,125,890)
Benefit payments, including refunds of employee contributions	(3,456,389)	(3,456,389)	-
Other (net transfer)	-	144,760	(144,760)
Net changes	3,853,336	5,665,299	(1,811,963)
Balance at December 31, 2023	\$ 72,106,642	\$ 71,154,199	\$ 952,443

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balance at December 31, 2023	\$ 72,106,642	\$ 71,154,199	\$ 952,443
Changes for the year:			
Service cost	1,754,196	-	1,754,196
Interest on the total pension liability	5,159,685	-	5,159,685
Difference between expected and actual experience of the total pension liability	2,556,599	-	2,556,599
Contributions - Employer	-	1,105,412	(1,105,412)
Contributions - Employees	-	993,872	(993,872)
Net investment income	-	7,148,763	(7,148,763)
Benefit payments, including refunds of employee contributions	(3,631,331)	(3,631,331)	-
Other (net transfer)	-	255,053	(255,053)
Net changes	5,839,149	5,871,769	(32,620)
Balance at December 31, 2024	\$ 77,945,791	\$ 77,025,968	\$ 919,823

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 13: Employee Retirement Plans (Continued)

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Organization's proportionate share of the net pension asset or liability has been calculated using a discount rate of 7.25% in both 2024 and 2023. The following presents the Organization's proportionate share of the net pension (asset) liability calculated using a discount rate of 1% higher and lower than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Organization's proportionate share of the net pension (asset) liability (2024)	\$ 10,005,897	\$ 919,823	\$ (6,082,198)
Organization's proportionate share of the net pension (asset) liability (2023)	\$ 7,383,718	\$ (952,443)	\$ (7,385,433)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IMRF financial report.

Employee Defined Contribution Plan

The Organization also sponsors a noncontributory 457(b) defined contribution plan with optional participation by full-time and regularly scheduled employees. There are no employer contributions to this plan.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 14: Self-Funded Health Insurance

The Organization has a self-funded health care plan that provides medical benefits to employees and their dependents. Health care expense is based upon actual claims paid, reinsurance premiums, administrative fees, and unpaid claims at year-end. The Organization buys reinsurance to cover catastrophic individual claims.

Accrued employee health claims are included with other current liabilities in the accompanying statements of net position. Activity in the Organization's accrued employee health claims for the years ended May 31 is summarized as follows:

	2025	2024
Balance at beginning	\$ 393,648	\$ 369,675
Current year claims incurred and changes in estimates for current claims	2,518,245	3,047,158
Claims and expenses paid	(2,625,800)	(3,023,185)
Balance at end	\$ 286,093	\$ 393,648

Note 15: Liability Insurance

Malpractice Insurance

The Organization is a participant in the Illinois Provider Trust ("IPT"). IPT provides professional and general liability insurance coverage to member hospitals on a pooled risk basis. The pool provides liability coverage on a claims-made basis of \$2,000,000 per occurrence, with no annual aggregate. In addition, the Organization has purchased excess coverage that provides for an additional \$3,000,000 per coverage in addition to the primary coverage provided by the IPT program. Funding to IPT is determined by annual actuarial valuations which are based on a member hospital's loss experience. Contributions to IPT are expected during the year in which they relate. If the actual loss experience of IPT exceeds the actuarially projected loss experience, the Organization would be required to make additional contributions to IPT. For the years ended May 31, 2025 and 2024, the Organization made no additional contributions to IPT related to additional assessments.

The Organization has recorded a liability of \$963,328 for both the years ended May 31, 2025 and 2024, to provide for discounted estimated potential losses from both known claims and incurred but unreported claims. The Organization has also recorded an estimated insurance recovery receivable of approximately \$869,000 for both the years ended May 31, 2025 and 2024, for claims expected to be paid by the insurance carrier subsequent to year-end.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 15: Liability Insurance (Continued)

Worker's Compensation

The Organization is a participant in the Illinois Compensation Trust ("ICT"), an organization sponsored by the Illinois Hospital Association (IHA) to provide workers' compensation coverage to Illinois hospitals which are members of IHA. The ICT is a multi-hospital, self-insurance trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. Member hospitals make contributions to ICT which provide mutual insurance protection for all members of the Trust. According to the Trust Agreement, a refund may be made to the participating hospitals if the Trust's loss experience is better than anticipated. If, however, the Trust's loss experience is worse than anticipated, the hospitals may be required to make additional contributions. The Organization has not been required to make additional material contributions to ICT in any of the three preceding years.

Note 16: Concentration of Credit Risk

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to patients. The majority of the Organization's patients are from Geneseo, Illinois, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at May 31:

	2025	2024
Medicare	47 %	45 %
Medicaid	5 %	8 %
Blue Cross Blue Shield	8 %	11 %
Other third-party payors	17 %	17 %
Patients	23 %	19 %
Totals	100 %	100 %

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 17: Laws and Regulations

The health care 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, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made to the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) as part of its efforts to ensure accurate payments under the Medicare program. RACs search for potentially inaccurate Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts. Once an RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount equal to the overpayment or underpayment. The Organization may either accept or appeal the RAC's findings. As of May 31, 2025, the Organization has not been notified by the RAC of any potential reimbursement adjustments.

Henry Hospital District d/b/a Hammond-Henry Hospital

Notes to the Financial Statements

Note 18: Foundation Activity

As discussed in Note 1, the Foundation is a component unit of the Organization, and its financial information has been blended with Organization data in the accompanying financial statements. A summary of the Foundation's net assets and activity as of and for the years then ended May 31, 2025 and 2024, is as follows:

	2025	2024
Assets:		
Cash and cash equivalents	\$ 241,320	\$ 101,330
Pledges receivable - Net	27,963	24,055
Investments	3,901,358	3,542,916
Total assets	\$ 4,170,641	\$ 3,668,301
Liabilities and net assets:		
Accounts payable	\$ 47,398	\$ -
Net assets	4,123,243	3,668,301
Net liabilities and net assets	\$ 4,170,641	\$ 3,668,301
Operating revenues - Contributions and fund-raising	\$ 14,599	\$ 187,343
Operating expenses	(5,309)	(195,481)
Investment income	411,469	546,388
Revenue in excess of expenses prior to contributions to the Hospital	420,759	538,250
Contributions to the Hospital	34,183	124,868
Change in net assets	454,942	663,118
Net assets at beginning	3,668,301	3,005,183
Net assets at end	\$ 4,123,243	\$ 3,668,301

Note 19: Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform with the classifications used in 2025.

Supplemental Information

Henry Hospital District d/b/a Hammond-Henry Hospital

Combining Statement of Net Position

<i>May 31, 2025</i>	Hospital	Foundation	Eliminations	Totals
<i>Assets and Deferred Outflow of Resources</i>				
Current assets:				
Cash and cash equivalents	\$ 16,407,627	\$ 241,320	\$ -	\$ 16,648,947
Patient accounts receivable - Net	4,516,164	-	-	4,516,164
Property taxes receivable	1,283,857	-	-	1,283,857
Other accounts receivable	629,626	27,963	-	657,589
Inventories	834,919	-	-	834,919
Prepaid expenses and other	855,890	-	-	855,890
Total current assets	24,528,083	269,283	-	24,797,366
Assets limited as to use	51,026,961	3,901,358	-	54,928,319
Capital assets:				
Nondepreciable capital assets	1,768,896	-	-	1,768,896
Depreciable capital assets - Net	21,095,433	-	-	21,095,433
Capital assets - net	22,864,329	-	-	22,864,329
Other assets:				
Subscription-based information technology assets	11,114,110	-	-	11,114,110
Other	869,035	-	-	869,035
Total other assets	11,983,145	-	-	11,983,145
Deferred outflows of resources - Pension	5,277,867	-	-	5,277,867
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 115,680,385	\$ 4,170,641	\$ -	\$ 119,851,026

Henry Hospital District d/b/a Hammond-Henry Hospital

Combining Statement of Net Position (Continued)

May 31, 2025	Hospital	Foundation	Eliminations	Total
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>				
Current liabilities:				
Current portion of long-term debt	\$ 1,148,997	\$ -	\$ -	\$ 1,148,997
Current portion of lease liabilities	770,596	-	-	770,596
Current portion of subscription liabilities	4,512,498	-	-	4,512,498
Accounts payable	1,561,913	47,398	-	1,609,311
Accrued salaries and wages	879,125	-	-	879,125
Accrued vacation payable	2,101,749	-	-	2,101,749
Accrued medical claims payable	286,093	-	-	286,093
Accrued payroll taxes and other	741,280	-	-	741,280
Amounts payable to third-party reimbursement programs	4,062,670	-	-	4,062,670
Total current liabilities	16,064,921	47,398	-	16,112,319
Long-term liabilities:				
Long-term debt - Less current portion	10,502,818	-	-	10,502,818
Long-term lease liabilities - Less current portion	1,594,093	-	-	1,594,093
Long-term subscription liabilities - Less current portion	5,295,776	-	-	5,295,776
Net pension liability	919,823	-	-	919,823
Other	963,238	-	-	963,238
Total long-term liabilities	19,275,748	-	-	19,275,748
Total liabilities	35,340,669	47,398	-	35,388,067
Deferred inflows of resources:				
Pension	20,711	-	-	20,711
Property taxes for succeeding year	377,605	-	-	377,605
Total deferred inflows of resources	398,316	-	-	398,316
Net position:				
Net investment in capital assets	9,122,969	-	-	9,122,969
Restricted - Expendable	-	465,268	-	465,268
Restricted - Nonexpendable	-	228,762	-	228,762
Unrestricted net position	70,818,431	3,429,213	-	74,247,644
Total net position	79,941,400	4,123,243	-	84,064,643
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 115,680,385	\$ 4,170,641	\$ -	\$ 119,851,026

See accompanying notes to financial statements.

Henry Hospital District d/b/a Hammond-Henry Hospital

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

<i>Year Ended May 31, 2025</i>	Hospital	Foundation	Eliminations	Totals
Revenue:				
Net patient service revenue	\$ 55,627,422	\$ -	\$ -	\$ 55,627,422
Other operating revenue	2,530,186	-	-	2,530,186
Total revenue	58,157,608	-	-	58,157,608
Operating expenses:				
Salaries and wages	29,141,770	-	-	29,141,770
Employee benefits	5,571,535	-	-	5,571,535
Supplies and other expenses	10,539,316	5,309	-	10,544,625
Purchased services	6,048,358	-	-	6,048,358
Physician fees	1,671,638	-	-	1,671,638
Utilities	652,238	-	-	652,238
Insurance	687,496	-	-	687,496
Repairs and maintenance	148,517	-	-	148,517
Depreciation and amortization	4,053,609	-	-	4,053,609
Total operating expenses before actuarial pension related expense	58,514,477	5,309	-	58,519,786
Loss from operations before actuarial pension related expense	(356,869)	(5,309)	-	(362,178)
Employee benefits expense, change in actuarial pension obligation	879,284	-	-	879,284
Loss from operations	(1,236,153)	(5,309)	-	(1,241,462)
Nonoperating revenues (expenses):				
Property tax revenue	1,015,957	-	-	1,015,957
Noncapital grants and contributions - Net	309,715	14,599	-	324,314
Interest expense	(473,230)	-	-	(473,230)
Investment income	2,879,465	411,469	-	3,290,934
Loss on disposal of capital assets	(63,823)	-	-	(63,823)
Total nonoperating revenues - Net	3,668,084	426,068	-	4,094,152
Revenue in excess of expenses	2,431,931	420,759	-	2,852,690
Contributions for capital assets	-	34,183	-	34,183
Increase in net position	2,431,931	454,942	-	2,886,873
Net position at beginning	77,509,469	3,668,301	-	81,177,770
Net position at end	\$ 79,941,400	\$ 4,123,243	\$ -	\$ 84,064,643

See accompanying notes to financial statements.

Required Supplementary Information

Henry Hospital District d/b/a Hammond-Henry Hospital

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Obligation (Asset)	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Obligation (Asset) as a % of Covered Payroll
2025	\$ 77,945,791	\$ 77,025,968	\$ 919,823	98.82%	\$ 25,123,010	3.66%
2024	72,106,642	71,154,199	952,443	98.68%	20,783,487	4.58%
2023	68,253,306	65,488,900	2,764,406	95.95%	20,148,862	13.72%
2022	63,218,832	75,416,133	(12,197,301)	119.29%	18,347,487	-66.48%
2021	59,249,106	65,376,791	(6,127,685)	110.34%	17,307,213	-35.41%
2020	56,328,725	57,784,843	(1,456,118)	102.59%	15,826,921	-9.20%
2019	53,634,245	49,544,565	4,089,680	92.37%	14,758,046	27.71%
2018	49,271,755	51,931,248	(2,659,493)	105.40%	13,342,378	-19.93%
2017	48,513,515	45,413,520	3,099,995	93.61%	12,247,151	25.31%
2016	46,688,298	43,053,322	3,634,976	92.21%	12,209,196	29.77%

GASB Statement No. 68 requires 10 years of information to be presented in this table.

See Independent Auditor's Report.

Henry Hospital District d/b/a Hammond-Henry Hospital
Required Supplementary Information
Illinois Municipal Retirement Fund
Schedule of Changes in the Net Pension Liability and Related Ratios

<i>Years Ended December 31,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:										
Service cost	\$ 1,754,196	\$ 1,789,465	\$ 1,665,630	\$ 1,575,711	\$ 1,571,555	\$ 1,505,410	\$ 1,331,569	\$ 1,292,153	\$ 1,301,858	\$ 1,234,744
Interest on the total pension liability	5,159,685	4,887,939	4,532,967	4,253,104	4,043,909	3,855,996	3,660,676	3,606,314	3,467,058	3,193,372
Differences between expected and actual experience of the total pension liability	2,556,599	679,102	1,891,815	887,820	599,801	(265,318)	106,379	(541,365)	(784,701)	1,234,926
Changes of assumptions	-	(46,781)	-	-	(621,986)	-	1,520,924	(1,448,052)	(58,850)	58,390
Benefit payments, including refunds of employee contributions	(3,631,331)	(3,456,389)	(3,055,938)	(2,746,909)	(2,672,898)	(2,401,608)	(2,257,058)	(2,150,810)	(2,100,148)	(1,988,113)
Net change in total pension liability	5,839,149	3,853,336	5,034,474	3,969,726	2,920,381	2,694,480	4,362,490	758,240	1,825,217	3,733,319
Total pension liability, beginning	72,106,642	68,253,306	63,218,832	59,249,106	56,328,725	53,634,245	49,271,755	48,513,515	46,688,298	42,954,979
Total pension liability, ending (A)	\$ 77,945,791	\$ 72,106,642	\$ 68,253,306	\$ 63,218,832	\$ 59,249,106	\$ 56,328,725	\$ 53,634,245	\$ 49,271,755	\$ 48,513,515	\$ 46,688,298
Plan fiduciary net position:										
Contributions - Employer	\$ 1,105,412	\$ 915,780	\$ 1,154,753	\$ 1,266,039	\$ 1,210,151	\$ 944,681	\$ 1,207,665	\$ 1,180,756	\$ 1,022,334	\$ 1,041,444
Contributions - Employee	993,872	935,258	916,002	838,074	792,571	734,106	676,888	601,513	552,544	624,219
Net investment income /(loss)	7,148,763	7,125,890	(9,174,298)	10,833,830	8,168,513	9,198,341	(2,748,020)	8,022,622	2,970,460	217,200
Benefit payments, including refunds of employee contributions	(3,631,331)	(3,456,389)	(3,055,938)	(2,746,909)	(2,672,898)	(2,401,608)	(2,257,058)	(2,150,810)	(2,100,148)	(1,988,113)
Other (net transfer)	255,053	144,760	232,248	(151,692)	93,611	(235,242)	733,842	(1,136,353)	(84,992)	(442,715)
Net change in plan fiduciary net position	5,871,769	5,665,299	(9,927,233)	10,039,342	7,591,948	8,240,278	(2,386,683)	6,517,728	2,360,198	(547,965)
Plan fiduciary net position, beginning	71,154,199	65,488,900	75,416,133	65,376,791	57,784,843	49,544,565	51,931,248	45,413,520	43,053,322	43,601,287
Plan fiduciary net position, ending (B)	\$ 77,025,968	\$ 71,154,199	\$ 65,488,900	\$ 75,416,133	\$ 65,376,791	\$ 57,784,843	\$ 49,544,565	\$ 51,931,248	\$ 45,413,520	\$ 43,053,322
Net pension obligation (asset) - ending (A) - (B)	\$ 919,823	\$ 952,443	\$ 2,764,406	\$ (12,197,301)	\$ (6,127,685)	\$ (1,456,118)	\$ 4,089,680	\$ (2,659,493)	\$ 3,099,995	\$ 3,634,976
Plan fiduciary net position as a percentage of the total pension obligation	98.82%	98.68%	95.95%	119.29%	110.34%	102.59%	92.37%	105.40%	93.61%	92.21%
Covered valuation payroll	\$ 25,123,010	\$ 20,783,487	\$ 20,148,062	\$ 18,347,487	\$ 17,307,213	\$ 15,826,921	\$ 14,758,046	\$ 13,342,378	\$ 12,247,151	\$ 12,209,196
Net pension obligation (asset) as a percentage of covered valuation payroll	3.66%	4.58%	13.72%	-66.48%	-35.41%	-9.20%	27.71%	-19.93%	25.31%	29.77%

GASB Statement No. 68 requires 10 years of information to be presented in this table.

See Independent Auditor's Report.

Henry Hospital District d/b/a Hammond-Henry Hospital

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Employer Contributions

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2024	\$ 1,105,412	\$ 1,105,412	\$ -	\$ 25,123,010	4.40%
2023	\$ 885,377	\$ 915,780	\$ (30,403)	\$ 20,783,487	4.41%
2022	1,059,788	1,154,753	\$ (94,965)	20,148,062	5.73%
2021	1,207,265	1,266,039	\$ (58,774)	18,347,487	6.90%
2020	1,199,390	1,210,151	(10,761)	17,307,213	6.99%
2019	933,788	944,681	(10,893)	15,826,921	5.97%
2018	1,207,208	1,207,665	(457)	14,758,046	8.18%
2017	1,151,447	1,180,756	(29,309)	13,342,378	8.85%
2016	1,011,615	1,022,334	(10,719)	12,247,151	8.35%
2015	1,041,444	1,041,444	-	12,209,196	8.53%

GASB Statement No. 68 requires 10 years of information to be presented in this table.

See Independent Auditor's Report.

Henry Hospital District d/b/a Hammond-Henry Hospital

Required Supplementary Information

Illinois Municipal Retirement Fund

Notes to Required Supplementary Information

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2024 Contribution Rate*

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2024 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = Normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	Non-Taxing bodies: 10-year rolling period. Taxing bodies: 19-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method:	5-year smoothed market, 20% corridor
Wage Growth:	2.75%
Price Inflation:	2.25%
Salary Increases:	2.75% to 13.75%, including inflation
Investment Rate of Return:	7.25%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2020 valuation pursuant to an experience study of the period 2017 to 2019.
Mortality:	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

There were no benefit changes during the year.

*Based on valuation assumptions used in the December 31, 2024, actuarial valuation; note two-year lag between valuation and rate setting.

See Independent Auditor's Report.

Compliance

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*

Board of Directors
Henry Hospital District d/b/a Hammond-Henry Hospital
Geneseo, 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, the financial statements of Henry Hospital District d/b/a Hammond-Henry Hospital (the "Organization"), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Wipfli LLP". The script is cursive and somewhat stylized, with the letters "W", "i", "p", "f", and "l" being prominent.

Wipfli LLP
Eau Claire, Wisconsin
September 21, 2025