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June 13, 2023

Board of Directors  
Perry County Memorial Hospital  
8885 State Road 237  
Tell City, IN 47586

We have reviewed the audit report of Perry County Memorial Hospital which was opined upon by FORVIS, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Perry County Memorial Hospital as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 41. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 43.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

# **Perry County Memorial Hospital**

**A Component Unit of  
Perry County, Indiana**

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

**December 31, 2022**



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

**Contents**

<b>Independent Auditor’s Report</b> .....	<b>1</b>
<b>Management’s Discussion and Analysis</b> .....	<b>4</b>
<b>Financial Statements</b>	
Statement of Net Position .....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statement of Cash Flows .....	11
Notes to Financial Statements .....	12
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards .....	33
Notes to the Schedule of Expenditures of Federal Awards .....	34
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report</b> .....	<b>35</b>
<b>Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report</b> .....	<b>37</b>
<b>Schedule of Findings and Questioned Costs</b> .....	<b>40</b>
<b>Summary Schedule of Prior Audit Findings</b> .....	<b>42</b>

## Independent Auditor's Report

Board of Trustees  
Perry County Memorial Hospital  
Tell City, Indiana

### Report on the Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, in 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**FORVIS,LLP**

Louisville, Kentucky  
May 18, 2023

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2022**

## **Introduction**

This management's discussion and analysis of the financial performance of Perry County Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the year ended December 31, 2022. It should be read in conjunction with the accompanying financial statements of the Hospital. The Hospital adopted GASB Statement No. 87, *Leases* on January 1, 2022; the 2021 financial statements included herein have not been restated for the adoption.

## **Financial Highlights**

- Cash and investments decreased in 2022 by \$726,195 or 3%.
- The Hospital's net position decreased by \$824,227 or 2.6% in 2022, as compared to 2021 from operating and nonoperating results.
- The Hospital reported operating loss in 2022 of \$8,145. The operating loss in 2022 was a decrease by \$778,073, or 101.1%, as compared to the operating income for 2021.
- Net nonoperating revenues (expenses) decreased by \$2,624,553 or 145.1% in 2022, as compared to 2021.

## **Using This Annual Report**

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

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

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

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Management’s Discussion and Analysis**  
**Year Ended December 31, 2022**

The Hospital’s total net position—the difference between assets and liabilities—is one measure of the Hospital’s financial health or financial position. Over time, increases or decreases in the Hospital’s net position is an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors, should also be considered to assess the overall financial health of the Hospital.

**The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. The statement of cash flows illustrates the uses and sources of cash for the year.

**The Hospital’s Net Position**

The Hospital’s net position is the difference between assets and liabilities reported in the statement of net position. The Hospital’s net position decreased by \$824,227 in 2022 over 2021, as shown in Table 1.

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

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Patient accounts receivable, net	\$ 6,165,623	\$ 6,436,909
Other current assets	23,324,104	24,135,673
Capital assets, net	40,429,423	42,369,699
Other noncurrent assets	<u>2,809,074</u>	<u>1,845,000</u>
Total assets	<u>\$ 72,728,224</u>	<u>\$ 74,787,281</u>
<b>Liabilities</b>		
Long-term debt	\$ 34,635,000	\$ 35,751,917
Other current and noncurrent liabilities	<u>6,678,381</u>	<u>6,796,294</u>
Total liabilities	<u>41,313,381</u>	<u>42,548,211</u>
<b>Net Position</b>		
Net investment in capital assets	6,522,799	5,923,510
Restricted	1,820,000	1,820,000
Unrestricted	<u>23,072,044</u>	<u>24,495,560</u>
Total net position	<u>31,414,843</u>	<u>32,239,070</u>
Total liabilities and net position	<u>\$ 72,728,224</u>	<u>\$ 74,787,281</u>

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2022**

A significant change in the Hospital's financial position in 2022 was the decrease in capital assets, primarily due to depreciation in 2022.

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

In 2022, the Hospital's net position decreased by \$824,227, or 101.6%, from operating and nonoperating results, as shown in Table 2. This decrease is made up of several different components and represents a decrease of \$3,402,626, as compared with the change in net position for 2021 of \$2,578,399.

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

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 45,712,754	\$ 44,445,166
Other operating revenues	1,603,464	2,278,259
Total operating revenues	<u>47,316,218</u>	<u>46,723,425</u>
<b>Operating Expenses</b>		
Salaries, wages and employee benefits	22,642,184	23,373,260
Purchased services and professional fees	11,926,509	10,668,824
Depreciation and amortization	2,905,320	2,717,611
Provider tax expense	1,759,676	1,437,303
Other operating expenses	8,090,674	7,756,499
Total operating expenses	<u>47,324,363</u>	<u>45,953,497</u>
<b>Operating Income (Loss)</b>	<u>(8,145)</u>	<u>769,928</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	(664,088)	515,544
Governmental grant income	992,636	2,427,228
Interest expense	(1,155,570)	(1,132,938)
Gain (loss) on disposal of capital assets	10,940	(1,363)
Total nonoperating revenues (expenses)	<u>(816,082)</u>	<u>1,808,471</u>
<b>Change in Net Position</b>	<u>\$ (824,227)</u>	<u>\$ 2,578,399</u>

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2022**

## **Operating Income**

The first component of the overall change in the Hospital's net position is its operating income or loss, identified as the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital was formed and is operated primarily to serve residents of Perry County, Indiana, and the surrounding area. In 2022 and 2021, the Hospital reported operating income.

Operating loss for 2022 was a decline by \$778,073, or 101.1%, as compared to the operating income for 2021. The primary components of change in operating results are:

- An increase in net patient service revenue of \$1,267,588, or 2.9%
- A decrease in other operating revenues of \$674,795, or 29.6%
- A decrease in salaries, wages and employee benefits of \$731,076, or 3.1%
- An increase in purchased services and professional fees of \$1,257,685, or 11.8%
- An increase in other operating expenses of \$334,175, or 4.3%

Net patient service revenue increased from 2021 to 2022 due to increased outpatient volumes. The decrease in salaries, wages and employee benefits in 2022, as compared to 2021, was primarily due to a decrease in health insurance expense. The increase in purchased services and professional fees in 2022, as compared to 2021, was primarily due to an increase in contract nursing costs. The increase in other expenses in 2022, as compared to 2021, was primarily due to an increase in the cost of supplies related to the impact of inflation.

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

Changes in the Hospital's cash flows are consistent with the changes in operating gains and nonoperating revenues and expenses for 2022, compared to 2021, discussed earlier, with one exception. Cash provided by operating activities remained relatively consistent; however, there was an operating loss for 2022 as compared to an operating income for 2021. The 2021 operating cash flows included a significant change due to an increase in patient accounts receivable from 2020 to 2021, and patient accounts receivable remained relatively consistent from 2021 to 2022.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

At the end of 2022, the Hospital had \$40,429,423 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2022, the Hospital purchased cash assets costing \$1,416,773.

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2022**

***Debt***

At December 31, 2022, the Hospital had \$35,342,000 in lease revenue bonds.

**Other Economic Factors**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. For healthcare providers, patient volumes and related revenues were affected by COVID-19, as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by healthcare facilities. While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place. There is still considerable uncertainty around the duration and ultimate financial impacts of the COVID-19 pandemic. The Hospital continues to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

Aside from COVID-19, the healthcare industry and the Hospital's operating margins may continue to be under pressure with ongoing healthcare reform and how it will impact the overall care delivery model for hospitals, physicians and other healthcare providers. Uncertainty with the fate of programs, such as the Affordable Care Act, requires healthcare organizations to remain vigilant and flexible. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a competitive environment and to attain reasonable rates for services provided while managing costs.

**Contacting the Hospital's Financial Management**

This financial report is designed to provide patients, suppliers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the chief financial officer by calling 812.547.0170.

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Statement of Net Position**  
**December 31, 2022**

**Assets**

	<u><b>2022</b></u>
<b>Current Assets</b>	
Cash	\$ 15,239,350
Short-term investments	6,430,444
Patient accounts receivable, net of allowance of \$1,340,250	6,165,623
Other receivables	175,010
Supplies	756,012
Prepaid expenses and other current assets	302,790
Estimated amounts due from third-party payors	<u>420,498</u>
Total current assets	<u>29,489,727</u>
<b>Noncurrent Cash and Investments</b>	
Held by trustee for debt service	<u>1,820,000</u>
<b>Capital Assets, Net</b>	<u>40,429,423</u>
<b>Lease Assets, Net</b>	<u>964,074</u>
<b>Other Assets</b>	<u>25,000</u>
Total assets	<u><u>\$ 72,728,224</u></u>

## Liabilities and Net Position

	<u>2022</u>
<b>Current Liabilities</b>	
Current portion of long-term debt	\$ 707,000
Current portion of lease liabilities	228,637
Accounts payable	1,163,297
Payable to employees (including payroll taxes and benefits)	2,070,219
Accrued expenses	1,340,778
Estimated amounts due to third-party payors	<u>422,150</u>
Total current liabilities	5,932,081
<b>Long-Term Debt</b>	34,635,000
<b>Lease Liabilities</b>	<u>746,300</u>
Total liabilities	<u>41,313,381</u>
<b>Net Position</b>	
Net investment in capital assets	6,522,799
Restricted-expendable for debt service and capital improvements	1,820,000
Unrestricted	<u>23,072,044</u>
Total net position	<u>31,414,843</u>
Total liabilities and net position	<u>\$ 72,728,224</u>

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

	<b>2022</b>
<b>Operating Revenues</b>	
Net patient service revenue, net of provision for uncollectible accounts of \$2,210,148	\$ 45,712,754
Other	1,603,464
	<u>47,316,218</u>
<b>Operating Expenses</b>	
Salaries and benefits	22,642,184
Purchased services and professional fees	11,926,509
Supplies	6,053,273
Provider tax expense	1,759,676
Depreciation and amortization	2,905,320
Other expenses	2,037,401
	<u>47,324,363</u>
	<u>(8,145)</u>
<b>Operating Loss</b>	
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	(664,088)
Governmental grant income	992,636
Interest expense	(1,155,570)
Gain on disposal of capital assets	10,940
	<u>(816,082)</u>
	<u>(824,227)</u>
<b>Decrease in Net Position</b>	
<b>Net Position, Beginning of Year</b>	<u>32,239,070</u>
<b>Net Position, End of Year</b>	<u><u>\$ 31,414,843</u></u>

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

	<u><b>2022</b></u>
<b>Cash Flows from Operating Activities</b>	
Receipts from and on behalf of patients	\$ 45,759,420
Payments to suppliers and contractors	(21,749,741)
Payments to employees	(22,390,667)
Other receipts, net	1,567,668
	<u>3,186,680</u>
Net cash provided by operating activities	<u>3,186,680</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Governmental grant revenue	148,587
	<u>148,587</u>
Net cash provided by noncapital financing activities	<u>148,587</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal payments on long-term debt	(686,000)
Interest paid on long-term debt	(1,120,624)
Principal payments on leases payable	(232,903)
Interest paid on leases payable	(41,554)
Purchase of capital assets	(1,439,608)
Proceeds from disposition of capital assets	123,315
	<u>(3,397,374)</u>
Net cash used in capital and related financing activities	<u>(3,397,374)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(4,332,325)
Proceeds from disposition of investments	4,234,260
Interest and dividends on investments	155,565
	<u>57,500</u>
Net cash provided by investing activities	<u>57,500</u>
<b>Decrease in Cash</b>	(4,607)
<b>Cash, Beginning of Year</b>	<u>15,243,957</u>
<b>Cash, End of Year</b>	<u><u>\$ 15,239,350</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (8,145)
Depreciation and amortization	2,905,320
Provision for uncollectible accounts	2,210,148
Changes in operating assets and liabilities	
Patient accounts receivable	(1,938,862)
Estimated amounts due to/from third-party payors	(224,620)
Accounts payable and accrued expenses	157,465
Prepaid assets, supplies and other assets	85,374
	<u>85,374</u>
Net cash provided by operating activities	<u>\$ 3,186,680</u>
<b>Supplemental Cash Flows Information</b>	
Lease obligation incurred for lease assets	\$ 332,297

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

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

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

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

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

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

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

***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Perry County Memorial Hospital**

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

### **Notes to Financial Statements**

**December 31, 2022**

#### ***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital does consider uninvested cash held in investment accounts as cash or cash equivalents.

#### ***Risk Management***

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

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

#### ***Investments and Investment Income***

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

Noncurrent cash includes assets held by trustees under debt agreements.

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

#### ***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

#### ***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

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

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10–25 years
Buildings and leasehold improvements	10–40 years
Equipment	3–15 years

**Lease Assets**

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**Capital and Lease Asset Impairment**

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

**Compensated Absences**

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

# **Perry County Memorial Hospital**

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

### **Notes to Financial Statements**

**December 31, 2022**

#### ***Net Position***

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and reduced by lease liabilities and the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

#### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods, as adjustments become known.

#### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

#### ***Operating Activities***

The Hospital defines operating activities, as reported in the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for goods and services and payments made for goods and services received. Nearly all of the Hospital's expenses are from exchange transactions. Investment income, interest expense and gain on disposal of capital assets are recorded as nonoperating revenues and expenses.

#### ***Income Taxes***

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

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

The Foundation has been recognized as exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

***Accounting Pronouncement Adopted***

The Hospital adopted GASB Statement No. 87, *Leases*, on January 1, 2022. The primary objective of this statement is to improve the usefulness of financial statements by requiring recognition of leased assets and liabilities for most leases that were previously classified as operating leases. The Hospital's financial statements now include leased assets, lease liabilities and additional components associated with recording leased assets and lease liabilities. The adoption of this statement resulted in recording \$875,542 in leased assets and lease liabilities as of January 1, 2022.

***Future Adoption of Accounting Standards***

In fiscal year 2023, the Hospital will implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides a new framework for accounting for subscription-based information technology arrangements (SBITAs) under the principle that SBITAs result in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. In fiscal year 2024, the Hospital will implement GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which prescribes the accounting and reporting for each type of accounting change and error corrections. In fiscal year 2024, the Hospital will implement GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. The Hospital has not determined the impact of these new standards on its financial statements; however, it could have a material future impact.

**Note 2: Net Patient Service Revenue**

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

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

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

# **Perry County Memorial Hospital**

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

### **Notes to Financial Statements**

**December 31, 2022**

The Hospital participates in a state specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$1,760,000 of fees related to the program in 2022, which is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the State of Indiana and its Medicaid program, and the amounts expensed represent the current fees that have been assessed to the Hospital. There is no assurance this program will continue to be implemented in the future.

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

Approximately 60% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

### **Note 3: Deposits, Investments and Investment Income**

#### ***Deposits***

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

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

At December 31, 2022, all bank balances were insured through the FDIC and IPDIF.

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

**Notes to Financial Statements**

**December 31, 2022**

**Investments**

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, equity securities, money market mutual funds, mutual funds and CDs. At December 31, 2022, the Hospital had the following investments and maturities:

Type	2022				
	Fair Value	Maturities in Years			
		Less Than One	One to Five	Six to Ten	More Than Ten
Money market mutual funds	\$ 195,839	\$ 195,839	\$ -	\$ -	\$ -
Negotiable CDs	3,498,509	3,498,509	-	-	-
	3,694,348	<u>\$ 3,694,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>2,736,096</u>				
	<u>\$ 6,430,444</u>				

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

*Credit Risk* – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital’s policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organization. At December 31, 2022, the Hospital held no investments in corporate bonds.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2022, the Hospital held no investments in the possession of an outside party.

*Concentration of Credit Risk* – The Hospital places no limit on the amount that may be invested in any one issuer. At December 31, 2022, the Hospital held no investments in any one issuer.

*Foreign Currency Risk* – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Hospital had no investments denominated in foreign currency at December 31, 2022.

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

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statement of net position at December 31, 2022, as follows:

	<b>2022</b>
Carrying value	
Deposits	\$ 17,059,350
Investments	6,430,444
	<b>\$ 23,489,794</b>

Included in the following statement of net position captions:

	<b>2022</b>
Cash	\$ 15,239,350
Short-term investments	6,430,444
Noncurrent cash and investments	1,820,000
	<b>\$ 23,489,794</b>

**Investment Income**

Investment income for the year ended December 31, 2022, consisted of:

	<b>2022</b>
Interest and dividend income	\$ 155,565
Net unrealized losses on investments	(191,415)
Net realized losses on investments	(628,238)
	<b>\$ (664,088)</b>

The Hospital had \$1,820,000 of non-negotiable CDs included in deposits at December 31, 2022.

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

**Note 4: Concentration of Credit Risk**

***Patient Accounts Receivable***

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors at December 31, 2022, was:

	<b>2022</b>
Medicare	\$ 2,370,718
Medicaid	641,770
Commercial	2,642,639
Patients	1,850,746
	7,505,873
Less allowance for uncollectible accounts	1,340,250
	<b>\$ 6,165,623</b>

**Note 5: Capital and Lease Assets**

Capital assets activity for the years ended December 31, 2022, was:

	<b>2022</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land and improvements	\$ 3,805,753	\$ -	\$ (112,375)	\$ -	\$ 3,693,378
Buildings and leasehold improvements	44,020,446	-	-	-	44,020,446
Equipment	20,383,035	305,492	(65,379)	1,056,290	21,679,438
Construction in progress	208,072	1,111,281	-	(1,056,290)	263,063
Total capital assets	68,417,306	1,416,773	(177,754)	-	69,656,325
Less accumulated depreciation					
Land improvements	(235,709)	(6,984)	-	-	(242,693)
Buildings and leasehold improvements	(15,902,268)	(2,093,030)	-	-	(17,995,298)
Equipment	(10,492,749)	(561,541)	65,379	-	(10,988,911)
Total accumulated depreciation	(26,630,726)	(2,661,555)	65,379	-	(29,226,902)
Capital assets, net	\$ 41,786,580	\$(1,244,782)	\$ (112,375)	\$ -	\$ 40,429,423

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

**Notes to Financial Statements**  
**December 31, 2022**

Lease assets activity for the year ended December 31, 2022, was:

	<b>2022</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Buildings and leasehold improvements	\$ 285,855	\$ -	\$ -	\$ -	\$ 285,855
Equipment	589,688	332,297	-	-	921,985
Total lease assets	875,543	332,297	-	-	1,207,840
Less accumulated depreciation					
Buildings and leasehold improvements	-	(35,003)	-	-	(35,003)
Equipment	-	(208,763)	-	-	(208,763)
Total accumulated depreciation	-	(243,766)	-	-	(243,766)
Lease assets, net	\$ 875,543	\$ 88,531	\$ -	\$ -	\$ 964,074

**Note 6: Medical Malpractice Claims**

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently would be uninsured. However, the *Indiana Malpractice Act* limits professional liability for claims subsequent to June 30, 2017, but before July 1, 2019, to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid through medical insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (Fund). For claims on or after July 30, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through insurance coverage, with the remainder due from the Fund. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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

**Notes to Financial Statements**  
**December 31, 2022**

**Note 7: Employee Health Claims**

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$85,000.

Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported.

The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is possible that the Hospital's estimate will change by a material amount in the near term.

	<b>2022</b>
Balance, beginning of year	\$ 366,642
Current year claims incurred and changes in estimates for claims incurred in prior years	410,965
Claims and expenses paid	(337,607)
Balance, end of year	\$ 440,000

**Note 8: Long-Term Obligations**

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

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
U.S. Department of Agriculture (USDA) lease revenue bonds 2013 (A)	\$ 36,028,000	\$ -	\$ 686,000	\$ 35,342,000	\$ 707,000
Lease liability (B)	875,543	332,297	232,903	974,937	228,637
Total long-term debt obligations	\$ 36,903,543	\$ 332,297	\$ 918,903	\$ 36,316,937	\$ 935,637

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

**Notes to Financial Statements**  
**December 31, 2022**

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

The amount of required principal and interest payments on long-term debt other than lease liability at December 31, 2022, are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2023	\$ 1,806,031	\$ 707,000	\$ 1,099,031
2024	1,803,750	727,000	1,076,750
2025	1,805,859	752,000	1,053,859
2026	1,805,203	775,000	1,030,203
2027	1,805,781	800,000	1,005,781
2028–2032	9,025,891	4,391,000	4,634,891
2033–2037	9,030,938	5,133,000	3,897,938
2038–2042	9,033,031	5,996,000	3,037,031
2043–2047	9,028,719	6,997,000	2,031,719
2048–2052	9,032,859	8,175,000	857,859
2053	902,891	889,000	13,891
	<u>\$ 55,080,953</u>	<u>\$ 35,342,000</u>	<u>\$ 19,738,953</u>

(B) The Hospital leases equipment and office space, the terms of which expire in various years through 2030. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

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

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31	Total to be Paid	Principal	Interest
2023	\$ 256,601	\$ 228,637	\$ 27,964
2024	246,681	225,938	20,743
2025	217,792	204,242	13,550
2026	138,219	129,909	8,310
2027	101,661	96,846	4,815
2028–2030	92,832	89,365	3,467
	<u>\$ 1,053,786</u>	<u>\$ 974,937</u>	<u>\$ 78,849</u>

The Hospital had established a revolving line-of-credit agreement, which provides for borrowings up to \$1,000,000. The agreement included interest at the prime rate as published by the Wall Street Journal, less 0.75% and matured August 28, 2022. The line was collateralized by substantially all of the Hospital's assets.

**Note 9: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

**Notes to Financial Statements  
December 31, 2022**

**Recurring Measurements**

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

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2022</b>				
Money market				
mutual funds	\$ 195,839	\$ 195,839	\$ -	\$ -
Negotiable CDs	3,498,509	3,498,509	-	-
Mutual funds	2,736,096	2,736,096	-	-
	<u>\$ 6,430,444</u>	<u>\$ 6,430,444</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments**

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

**Note 10: Defined Contribution Plan**

The Perry County Memorial Hospital Employee Retirement Plan is a defined contribution retirement plan that provides benefits to substantially all of the Hospital's employees and is authorized by Indiana Code 16-22-3-11. The plan is administered by the board of trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Employee contributions are allowed up to the maximum allowable by law. The Hospital's discretionary contribution is up to 3% matching contributions for eligible salaries for 2022. For the year ended December 31, 2022, the Hospital made approximately \$400,000 of contributions to the plan.

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

**Notes to Financial Statements**

**December 31, 2022**

**Note 11: Significant Estimates and Concentrations**

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

***Allowance for Net Patient Service Revenue Adjustments***

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

***Malpractice Claims***

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

***Incurred, but Not Reported, Employee Health Insurance Claims***

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

**Note 12: Risk, Uncertainties and Contingencies**

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance discussed elsewhere in these notes, *i.e.*, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based on the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 13: Commitments**

***Management Contracts***

The Hospital contracted with Ascension St. Vincent to operate, manage and supervise day-to-day activities of the Hospital. Under the terms of the contract, the fee is adjusted annually by an agreed-upon inflationary adjustment. There were approximately \$78,000 of management and consulting fees paid to Ascension St. Vincent during the year ended December 31, 2022. This contract was terminated in 2022.

# Perry County Memorial Hospital

## A Component Unit of Perry County, Indiana

### Notes to Financial Statements December 31, 2022

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

#### Note 14: Condensed Combining Information

The following tables include condensed combining statements of net position information for the Hospital and its blended component units as of December 31, 2022.

	December 31, 2022				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 15,033,094	\$ -	\$ 206,256	\$ -	\$ 15,239,350
Short-term investments	3,666,431	-	2,764,013	-	6,430,444
Patient accounts receivable, net of allowance	6,165,623	-	-	-	6,165,623
Other receivables	175,010	-	-	-	175,010
Supplies	756,012	-	-	-	756,012
Prepaid expenses and other current assets	302,790	-	-	-	302,790
Estimated amounts due from third-party payors	420,498	-	-	-	420,498
Total current assets	26,519,458	-	2,970,269	-	29,489,727
<b>Noncurrent Cash and Investments</b>					
Held by trustee for debt service	1,820,000	-	-	-	1,820,000
<b>Capital Assets, Net</b>	6,533,662	33,895,761	-	-	40,429,423
<b>Lease Assets, Net</b>	964,074	-	-	-	964,074
<b>Other Assets</b>	25,000	-	-	-	25,000
Total assets	<u>\$ 35,862,194</u>	<u>\$ 33,895,761</u>	<u>\$ 2,970,269</u>	<u>\$ -</u>	<u>\$ 72,728,224</u>

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

**Notes to Financial Statements**  
**December 31, 2022**

	December 31, 2022				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ -	\$ 707,000	\$ -	\$ -	\$ 707,000
Current portion of lease liabilities	228,637	-	-	-	228,637
Accounts payable	1,163,297	-	-	-	1,163,297
Payable to employees (including payroll taxes and benefits)	2,070,219	-	-	-	2,070,219
Accrued expenses	834,577	506,201	-	-	1,340,778
Estimated amounts due to third-party payors	422,150	-	-	-	422,150
	4,718,880	1,213,201	-	-	5,932,081
<b>Long-Term Debt</b>	-	34,635,000	-	-	34,635,000
<b>Lease Liabilities</b>	746,300	-	-	-	746,300
<b>Total liabilities</b>	5,465,180	35,848,201	-	-	41,313,381
<b>Net Position</b>					
Net investment in capital assets	6,522,799	-	-	-	6,522,799
Restricted-expendable for debt service and capital improvements	1,820,000	-	-	-	1,820,000
Unrestricted	22,054,215	(1,952,440)	2,970,269	-	23,072,044
	30,397,014	(1,952,440)	2,970,269	-	31,414,843
<b>Total liabilities and net position</b>	\$ 35,862,194	\$ 33,895,761	\$ 2,970,269	\$ -	\$ 72,728,224

# Perry County Memorial Hospital

## A Component Unit of Perry County, Indiana

### Notes to Financial Statements December 31, 2022

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the year ended December 31, 2022:

	Year Ended December 31, 2022				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
<b>Operating Revenues</b>					
Net patient service revenue, net of provision for uncollectible accounts	\$ 45,712,754	\$ -	\$ -	\$ -	\$ 45,712,754
Other	1,537,712	-	65,752	-	1,603,464
Total operating revenues	47,250,466	-	65,752	-	47,316,218
<b>Operating Expenses</b>					
Salaries and benefits	22,642,184	-	-	-	22,642,184
Purchased services and professional fees	11,926,509	-	-	-	11,926,509
Supplies	6,053,273	-	-	-	6,053,273
Provider tax expense	1,759,676	-	-	-	1,759,676
Depreciation and amortization	916,452	1,988,868	-	-	2,905,320
Other expenses	1,981,406	-	55,995	-	2,037,401
Total operating expenses	45,279,500	1,988,868	55,995	-	47,324,363
<b>Operating Income (Loss)</b>	1,970,966	(1,988,868)	9,757	-	(8,145)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	(209,185)	-	(454,903)	-	(664,088)
Governmental grant income	992,636	-	-	-	992,636
Interest expense	(45,656)	(1,109,914)	-	-	(1,155,570)
Gain on disposal of capital assets	10,940	-	-	-	10,940
Total nonoperating revenues (expenses)	748,735	(1,109,914)	(454,903)	-	(816,082)
<b>Increase (Decrease) in Net Position Before Transfers</b>	2,719,701	(3,098,782)	(445,146)	-	(824,227)
<b>Transfers</b>	(1,806,624)	1,806,624	-	-	-
<b>Increase (Decrease) in Net Position</b>	913,077	(1,292,158)	(445,146)	-	(824,227)
<b>Net Position, Beginning of Year</b>	29,483,937	(660,282)	3,415,415	-	32,239,070
<b>Net Position, End of Year</b>	\$ 30,397,014	\$ (1,952,440)	\$ 2,970,269	\$ -	\$ 31,414,843

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

The following tables include condensed combining statements of cash flow information for the Hospital and its blended component units for the year ended December 31, 2022:

	Year Ended December 31, 2022				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from and on behalf of patients	\$ 45,759,420	\$ -	\$ -	\$ -	\$ 45,759,420
Payments to suppliers and contractors	(21,693,746)	-	(55,995)	-	(21,749,741)
Payments to employees	(22,390,667)	-	-	-	(22,390,667)
Other receipts, net	1,501,916	-	65,752	-	1,567,668
Net cash provided by operating activities	3,176,923	-	9,757	-	3,186,680
<b>Cash Flows from Noncapital Financing Activities</b>					
Governmental grant revenue	148,587	-	-	-	148,587
Net cash provided by noncapital financing activities	148,587	-	-	-	148,587
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal payments on long-term debt	-	(686,000)	-	-	(686,000)
Interest paid on long-term debt	-	(1,120,624)	-	-	(1,120,624)
Principal payments on leases payable	(232,903)	-	-	-	(232,903)
Interest paid on leases payable	(41,554)	-	-	-	(41,554)
Purchase of capital assets	(1,439,608)	-	-	-	(1,439,608)
Proceeds from disposition of capital assets	123,315	-	-	-	123,315
Net cash used in capital and related financing activities	(1,590,750)	(1,806,624)	-	-	(3,397,374)
<b>Cash Flows from Investing Activities</b>					
Purchase of investments	(3,675,735)	-	(656,590)	-	(4,332,325)
Proceeds from disposition of investments	3,679,730	-	554,530	-	4,234,260
Interest and dividend on investments	40,243	-	115,322	-	155,565
Transfer (to) from affiliates	(1,806,624)	1,806,624	-	-	-
Net cash provided by (used in) investing activities	(1,762,386)	1,806,624	13,262	-	57,500
<b>Increase (Decrease) in Cash</b>	(27,626)	-	23,019	-	(4,607)
<b>Cash, Beginning of Year</b>	15,060,720	-	183,237	-	15,243,957
<b>Cash, End of Year</b>	\$ 15,033,094	\$ -	\$ 206,256	\$ -	\$ 15,239,350
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating income (loss)	\$ 1,970,966	\$ (1,988,868)	\$ 9,757	\$ -	\$ (8,145)
Depreciation and amortization	916,452	1,988,868	-	-	2,905,320
Provision for uncollectible accounts	2,210,148	-	-	-	2,210,148
Changes in operating assets and liabilities					
Patient accounts receivable	(1,938,862)	-	-	-	(1,938,862)
Estimated amounts due to/from third-party payors	(224,620)	-	-	-	(224,620)
Accounts payable and accrued expenses	157,465	-	-	-	157,465
Prepaid assets, supplies and other assets	85,374	-	-	-	85,374
Net cash provided by operating activities	\$ 3,176,923	\$ -	\$ 9,757	\$ -	\$ 3,186,680
<b>Supplemental Cash Flows Information</b>					
Lease obligation incurred for lease assets	\$ 332,297	\$ -	\$ -	\$ -	\$ 332,297

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

**Note 15: COVID-19 Pandemic and *Coronavirus Aid, Relief and Economic Security Act (CARES Act) Funding***

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by healthcare facilities.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implementation of targeted cost reduction initiatives
- Reduction of certain planned projects and capital expenditures

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

***Provider Relief Fund and American Rescue Plan***

During prior years, the Hospital received distributions from the CARES Act Provider Relief Fund (Provider Relief Fund) and American Rescue Plan. These distributions are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and American Rescue Plan, and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2022, the Hospital recognized \$992,636 related to the distributions and these payments are recorded as nonoperating revenue—governmental grant revenue in the statement of revenues, expenses and changes in net position.

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

The Hospital has recognized revenue from the Provider Relief Fund and American Rescue Plan based on guidance issued by HHS as of December 31, 2022, and any clarifications issued by HHS subsequent to year-end. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and American Rescue Plan, and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund and American Rescue Plan are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's reporting could differ for the Provider Relief Fund and American Rescue Plan. Provider Relief Fund and American Rescue Plan payments are subject to government oversight, including potential audits.

## **Supplementary Information**

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
Community Facilities Loans and Grants Cluster/U.S. Department of Agriculture/ Community Facilities Loans and Grants	10.766	N/A	N/A	\$ 36,028,000
U.S. Department of Health and Human Services/ COVID-19 – Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A	N/A	2,181,031
U.S. Department of Health and Human Services/ COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	N/A	N/A	300,000
HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	N/A	N/A	<u>1,367</u>
				<u><u>\$ 38,510,398</u></u>

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Perry County Memorial Hospital (Hospital), a component unit of Perry County, Indiana, under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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

**Note 4: Federal Loan Program**

The federal loan program listed subsequently is administered directly by the Hospital, and balances and transactions relating to this program are included in the Hospital's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at December 31, 2022, consists of:

<b>Assistance Listing Number</b>	<b>Program Name</b>	<b>Outstanding Balance at December 31, 2022</b>
10.766	Community Facilities Loans and Grants	\$ 35,342,000

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

### Independent Auditor's Report

Board of Trustees  
Perry County Memorial Hospital  
Tell City, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Perry County Memorial Hospital, a component unit of Perry County, Indiana (Hospital), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2023, which contained an emphasis of matter paragraph regarding a change in accounting principle.

### Report on Internal Control over Financial Reporting

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

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

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

## **Report on Compliance and Other Matters**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Louisville, Kentucky  
May 18, 2023

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

### Independent Auditor's Report

Board of Trustees  
Perry County Memorial Hospital  
Tell City, Indiana

#### Report on Compliance for Major Federal Program

##### ***Opinion on Each Major Federal Program***

We have audited Perry County Memorial Hospital's, a component unit of Perry County, Indiana (Hospital) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

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

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

##### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* require the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Hospital is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Hospital's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

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

*Government Auditing Standards* require the auditor to perform limited procedures on the Hospital’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Hospital is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The Hospital’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

**FORVIS,LLP**

Louisville, Kentucky  
May 18, 2023



**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
2022-001	<p>Community Facilities Loans and Grants Cluster; Federal Assistance Listing No. 10.766; U.S. Department of Agriculture</p> <p>Criteria or specific requirement – Reporting</p> <p>Condition: The Hospital is required to submit annual audited financial statements to the U.S. Department of Agriculture 150 days subsequent to year-end. The audited financial statements as of and for the year ended December 31, 2021, were due to the U.S. Department of Agriculture by May 30, 2022, and were not submitted until November 2022.</p> <p>Questioned costs: None.</p> <p>Context: In testing the timely submission of the audited financial statements, the Hospital was unable to locate or provide support showing that the audited financial statements were submitted to the U.S. Department of Agriculture by the due date.</p> <p>Effect: Audited financial statements were not timely submitted.</p> <p>Cause – The Hospital was unable to produce support for timely submitted audited financial statements.</p> <p>Identification as a repeat finding – Not applicable</p> <p>Recommendation – We recommend management develop a procedure to ensure that the audited financial statements are timely submitted to the U.S. Department of Agriculture.</p> <p>Views of responsible officials and planned corrective actions: Management agrees with the recommendation. The Hospital will create calendar appointments prior to required deadline for submission of the audited financial statements for the responsible personnel including the chief financial officer.</p>

**Perry County Memorial Hospital**  
**A Component Unit of Perry County, Indiana**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2021-001	<p>U.S. Department of Health and Human Services – Federal Assistance Listing No. 93.498, Provider Relief Fund</p> <p>Allowable Costs (Public Law 116-136). As a critical access hospital, the Hospital did not apply reimbursement from Medicare for healthcare related expenses. The Hospital also did not include reimbursement for COVID-19 testing as an offset to COVID-19 testing expenses. Patient billing for employee COVID-19 testing was incorrectly included as an allowable expense.</p>	Resolved

**Schedule of Findings and Questioned Costs  
Corrective Action Plan**

**Year Ended December 31, 2022**

**Government Auditing Standards**

No matters are reportable.

**Uniform Guidance**

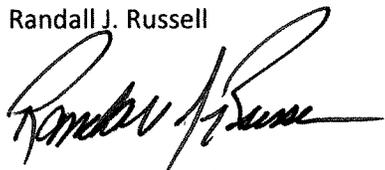
Finding 2022-001 – The Hospital was unable to produce support for timely submitted audited financial statements.

Corrective Action Plan: The Hospital will create calendar appointments prior to the required deadline for submission of the audited financial statements for the responsible personnel including the chief financial officer.

Contact Person: Randall J. Russell

Expected Implementation: May 2023

Randall J. Russell



Chief Financial Officer

812-547-0146