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June 6, 2022

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

We have reviewed the audit report of Decatur County Memorial Hospital which was opined upon by BKD, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Decatur County Memorial Hospital as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Tammy R. White, CPA
Deputy State Examiner

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Independent Auditor's Report and Financial Statements
December 31, 2021 and 2020

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Decatur County Memorial Hospital
Greensburg, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Decatur County Memorial Hospital (Hospital), a component unit of Decatur County, Indiana, as of and for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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 Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The combining balance sheet information and combining statement of revenues, expenses and changes in net position information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet information and combining statement of revenues, expenses and changes in net position information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
May 27, 2022

Decatur County Memorial Hospital

A Component Unit of Decatur County, Indiana

Management's Discussion and Analysis

December 31, 2021 and 2020

Introduction

This management's discussion and analysis of the financial performance of Decatur County Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2021, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments increased in 2021 by \$1,278,227 or 2.2% compared to an increase of \$25,088,470 or 76.9% in 2020.
- The Hospital's net position increased in 2021 by \$15,724,282 or 19.5% compared to an increase of \$15,245,652 or 23.3% in 2020.
- The Hospital reported an operating loss of \$(1,959,396) in 2021 compared to an operating loss of \$(6,696,757) in 2020. The operating results in 2021 improved by \$4,737,361 as compared to 2020. In 2020, the operating results decreased by \$8,415,223 when compared to 2019.
- Net nonoperating income for 2021 was \$17,832,969 compared to net nonoperating income of \$22,081,541 for 2020. This was a decrease of \$(4,248,572) or 19.2%. In 2020, net nonoperating revenues increased by \$17,788,129 over 2019.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Hospital’s Net Position

The Hospital’s net position is equal to its assets, less liabilities reported in the balance sheets. The Hospital’s net position increased by \$15,724,282 or 19.5% in 2021 over 2020 compared to an increase in net position of \$15,245,652 or 23.3% in 2020 over 2019, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2021	2020	2019
Assets			
Patient accounts receivable, net	\$ 15,672,623	\$ 13,396,350	\$ 12,129,641
Other current assets	65,895,252	65,554,328	37,168,896
Capital assets, net	40,613,554	37,224,804	33,550,026
Other noncurrent assets	2,216,091	2,191,040	2,278,302
	<u>\$ 124,397,520</u>	<u>\$ 118,366,522</u>	<u>\$ 85,126,865</u>
Liabilities			
Current liabilities excluding current maturities of long-term debt	\$ 24,193,489	\$ 22,245,147	\$ 14,790,939
Long-term debt	3,858,038	10,542,005	4,959,867
Other noncurrent liabilities	-	4,957,659	-
Total liabilities	<u>28,051,527</u>	<u>37,744,811</u>	<u>19,750,806</u>
Net Position			
Net investment in capital assets	36,574,128	32,120,187	27,541,355
Restricted	614,770	600,480	677,250
Unrestricted	59,157,095	47,901,044	37,157,454
Total net position	<u>96,345,993</u>	<u>80,621,711</u>	<u>65,376,059</u>
Total liabilities and net position	<u>\$ 124,397,520</u>	<u>\$ 118,366,522</u>	<u>\$ 85,126,865</u>

The increase in the Hospital’s assets during 2021 was primarily due to a \$2.3 million rise in patient accounts receivable, stemming from strong patient volumes, as well as a \$3.4 million rise in capital assets, which is discussed in the “Capital Asset and Debt Administration” section that follows.

The increase in the Hospital's assets during 2020 was primarily a result of increases in cash and investments of \$25.1 million. This increase was attributable to funds received from the U.S. Department of Health and Human Services Provider Relief Fund, proceeds from the Hospital's Paycheck Protection Program (PPP) loan and Medicare Advance Payments.

The cash received for the PPP loan and Medicare Advance Payments were recorded as liabilities in 2020 and were the contributing factor in the increase in total liabilities of \$18.0 million from 2019 to 2020. The PPP loan was formally forgiven in 2021, and approximately one-half of Medicare Advance Payments were recouped by Medicare in 2021. This is the contributing factor in the decrease in total liabilities of \$9.6 million from 2020 to 2021.

Operating Results and Changes in the Hospital's Net Position

In 2021, the Hospital's total net position increased by \$15,724,282 or 19.5%. This increase is made up of several different components and represents an increase of 3.1% compared with the increase in net position for 2020 of \$15,245,652. The increase in net position for 2019 was \$5,933,284.

Table 2: Operating Results and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Net patient service revenue	\$ 112,414,306	\$ 96,358,449	\$ 94,719,387
Other	14,457,530	15,912,524	12,796,136
Total operating revenues	<u>126,871,836</u>	<u>112,270,973</u>	<u>107,515,523</u>
Operating Expenses			
Salaries, wages, contract labor and employee benefits	61,727,286	59,593,493	55,578,428
Purchased services and professional fees	27,790,246	22,675,259	16,622,313
Depreciation and amortization	3,843,232	3,857,639	3,847,803
Other operating expenses	35,470,468	32,841,339	29,748,513
Total operating expenses	<u>128,831,232</u>	<u>118,967,730</u>	<u>105,797,057</u>
Operating Income (Loss)	<u>(1,959,396)</u>	<u>(6,696,757)</u>	<u>1,718,466</u>
Nonoperating Revenues (Expenses)			
Investment return	4,466,258	3,921,333	3,833,788
Interest expense	(111,986)	(127,687)	(185,657)
Noncapital grants and contributions	6,539,869	17,670,540	246,726
Paycheck Protection Program loan forgiveness	6,124,400	-	-
Noncapital appropriations - Decatur County	132,000	121,000	132,000
Other	682,428	496,355	266,555
Total nonoperating revenues (expenses)	<u>17,832,969</u>	<u>22,081,541</u>	<u>4,293,412</u>
Excess of Revenues Over Expenses	15,873,573	15,384,784	6,011,878
Other Changes in Net Position	<u>(149,291)</u>	<u>(139,132)</u>	<u>(78,594)</u>
Increase in Net Position	<u>\$ 15,724,282</u>	<u>\$ 15,245,652</u>	<u>\$ 5,933,284</u>

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.

Operating loss was \$(1,959,396) for 2021 compared to an operating loss of \$(6,696,757) for 2020, which equates to an increase of \$4,737,361 or 70.7%. The operating income for 2020 decreased by \$8,415,223 or 489.7% as compared to 2019. The primary components of the change in operating income in 2021 are:

- Net patient service revenue was \$112,414,306 for 2021 compared to \$96,358,449 in 2020, which is an increase of \$16,055,857 or 16.7%. Net patient service revenue in 2020 represented an increase of \$1,639,062 or 1.7% compared to 2019.
- Salaries, wages, contract labor and employee benefits for the Hospital were \$61,727,286 for 2021 compared to \$59,593,493 for 2020, which represents an increase of \$2,133,793 or 3.6%. In 2020, salaries, wages and benefits increased by \$4,015,065 or 7.2% compared to 2019.
- Other operating revenues were \$14,457,530 for 2021 compared to \$15,912,524 in 2020, which is a decrease of \$1,454,994 or 9.1%.

The increase in net patient service revenue in 2021 is a result of various factors, most notably of which is increased volumes, particularly those associated with outpatient services. The pandemic and other macro market factors continue to increase operating costs for the Hospital in terms of salaries, benefits, contract labor and other contractual arrangements, supplies, and medical equipment.

Nonoperating Revenues and Expenses

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

In 2021, nonoperating revenues and expenses includes investment income of \$4.5 million, driven by strong financial markets; \$6.5 million of noncapital grant revenue, predominantly comprised of \$4.4 million related to the Provider Relief Fund and \$1.9 million related to vaccine funding at the State-level; and \$6.1 million of income stemming from the Hospital's PPP loan being formally forgiven. Interest expense was approximately \$112,000 for 2021.

In 2020, nonoperating revenues and expenses included \$3.9 million of investment income, again driven by strong financial markets, and \$17.7 million of noncapital grant revenue, the vast majority of which related to the Provider Relief Fund. Interest expense was approximately \$128,000 for 2020.

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

The Hospital's Cash Flows

The Hospital's cash flows fluctuated from the previous year with a decrease in the net cash flow from operating activities and net cash flow from noncapital financing activities. The Hospital saw the net cash flow from capital and related financing activities remain steady from 2020 to 2021, and also saw the net cash flow from investing activities improving by nearly \$7.0 million. The most significant factor in the year-over-year cash fluctuations are due to the previously mentioned pandemic-related funding sources, including the Provider Relief Fund, Medicare Advance Payments and PPP loan.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the Hospital had \$40,613,554 invested in capital assets, net of accumulated depreciation, compared to \$37,224,804 at the end of 2020, as detailed in Note 5 to the financial statements. Capital asset additions have been \$7.2 million and \$7.5 million, respectively, each of the past two years.

Debt

At December 31, 2021, the Hospital has approximately \$3.9 million in revenue bonds, notes payable and capital lease obligations outstanding compared to \$4.4 million at December 31, 2020. As previously detailed in this report, the Hospital also had a PPP loan payable totaling \$6.1 million at December 31, 2020, which was forgiven in July 2021. Borrowing and payment activity during the year are outlined in Note 9 to the financial statements.

In January 2022, the Hospital refinanced its revenue bonds in conjunction with construction and expansion efforts. The Hospital issued \$15.0 million as part of the refinance, which resulted in a payoff of the existing bonds and approximately \$11.2 million in proceeds.

Other Economic Factors

Management believes the health care industry's and the Hospital's operating margins will continue to be under pressure due to changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payment received for services rendered. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a competitive environment, and to attain reasonable rates for services provided while managing costs.

Additionally, uncertainty and business disruption surrounding the COVID-19 pandemic have and could continue to impact the operations of the Hospital. The economic impact, contingent on the current and future ramifications of COVID-19, as well as other factors, may negatively impact the Hospital's payor and service mix and overall operating expenses.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Administration by telephoning (812) 663-4331.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Balance Sheets
December 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 20,463,602	\$ 23,993,828
Short-term investments	36,295,078	31,511,676
Patient accounts receivable, net of allowance; 2021 - \$4,642,073; 2020 - \$5,303,638	15,672,623	13,396,350
Supplies	1,312,889	1,518,195
Estimated third-party settlements	3,621,378	4,543,753
Prepaid expenses and other assets	4,202,305	3,986,876
Total current assets	81,567,875	78,950,678
Noncurrent Cash and Investments		
Internally designated for capital improvements	1,704,265	1,704,265
Restricted by contributors and grantors	511,826	486,775
Total noncurrent cash and investments	2,216,091	2,191,040
Capital Assets, net	40,613,554	37,224,804
Total assets	\$ 124,397,520	\$ 118,366,522

Liabilities and Net Position

Current Liabilities		
Current maturities of long-term debt	\$ 550,401	\$ 6,680,671
Accounts payable and accrued expenses	19,753,446	17,313,203
Estimated third-party settlements	803,002	420,334
Unearned grant revenue	-	1,600,000
Current portion of Medicare advance payments	3,637,041	2,911,610
Total current liabilities	24,743,890	28,925,818
Noncurrent Liabilities		
Long-term debt	3,307,637	3,861,334
Other accrued liabilities	-	611,845
Long-term portion of Medicare advance payments	-	4,345,814
Total noncurrent liabilities	3,307,637	8,818,993
Total liabilities	28,051,527	37,744,811
Net Position		
Net investment in capital assets	36,574,128	32,120,187
Restricted:		
Expendable for capital acquisitions	230,573	230,573
Expendable for specific operating activities	281,253	256,202
Other	102,944	113,705
Unrestricted	59,157,095	47,901,044
Total net position	96,345,993	80,621,711
Total liabilities and net position	\$ 124,397,520	\$ 118,366,522

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$7,309,131; 2020 - \$6,525,858	\$ 112,414,306	\$ 96,358,449
Other	14,457,530	15,912,524
Total operating revenues	126,871,836	112,270,973
Operating Expenses		
Salaries, wages and contract labor	52,286,561	50,083,970
Employee benefits	9,440,725	9,509,523
Purchased services and professional fees	27,790,246	22,675,259
Medical supplies, drugs and other supplies	18,573,861	17,524,515
Utilities	1,863,755	1,787,753
Repairs and maintenance	2,610,227	2,232,734
Lease and rentals	3,414,773	3,266,456
Insurance	1,871,016	1,243,021
Depreciation and amortization	3,843,232	3,857,639
Other	4,460,538	4,457,908
Provider hospital assessment fee	2,676,298	2,328,952
Total operating expenses	128,831,232	118,967,730
Operating Loss	(1,959,396)	(6,696,757)
Nonoperating Revenues (Expenses)		
Investment return	4,466,258	3,921,333
Interest expense	(111,986)	(127,687)
Noncapital grants and contributions	6,539,869	17,670,540
Paycheck Protection Program loan forgiveness	6,124,400	-
Noncapital appropriations - Decatur County	132,000	121,000
Other	682,428	496,355
Total nonoperating revenues (expenses)	17,832,969	22,081,541
Excess of Revenues Over Expenses	15,873,573	15,384,784
Other Changes in Net Position	(149,291)	(139,132)
Increase in Net Position	15,724,282	15,245,652
Net Position, Beginning of Year	80,621,711	65,376,059
Net Position, End of Year	\$ 96,345,993	\$ 80,621,711

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Receipts from and on behalf of patients	\$ 111,383,497	\$ 104,723,768
Payments to suppliers and contractors	(57,962,989)	(51,145,013)
Payments to employees and contract labor	(61,842,503)	(58,413,988)
Other receipts, net	8,038,117	8,693,365
Net cash provided by (used in) operating activities	(383,878)	3,858,132
Noncapital Financing Activities		
Noncapital grants and contributions	4,939,869	19,270,540
Proceeds from Paycheck Protection Program loan payable	-	6,124,400
Noncapital appropriations - Decatur County	132,000	121,000
Other	(149,291)	(139,132)
Net cash provided by noncapital financing activities	4,922,578	25,376,808
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(7,737,606)	(7,894,209)
Principal paid on long-term debt	(537,441)	(522,848)
Principal paid on capital leases	(22,126)	(19,414)
Interest paid on long-term debt and capital leases	(111,986)	(127,687)
Net cash used in capital and related financing activities	(8,409,159)	(8,564,158)
Investing Activities		
Interest and dividends on investments	1,169,685	560,941
Purchase of investments	(1,511,880)	(7,682,733)
Proceeds from disposition of investments	-	84,482
Other investing activities	682,428	496,355
Net cash provided by (used in) investing activities	340,233	(6,540,955)
Increase (Decrease) in Cash and Cash Equivalents	(3,530,226)	14,129,827
Cash and Cash Equivalents, Beginning of Year	23,993,828	9,864,001
Cash and Cash Equivalents, End of Year	\$ 20,463,602	\$ 23,993,828
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (1,959,396)	\$ (6,696,757)
Depreciation and amortization	3,843,232	3,857,639
Provision for uncollectible accounts	7,309,131	6,525,858
Changes in operating assets and liabilities:		
Patient accounts receivable	(9,585,404)	(7,792,567)
Supplies and other current assets	(10,123)	(923,764)
Estimated third-party settlements	1,305,043	(2,151,487)
Accounts payable and accrued expenses	2,334,022	3,781,786
Medicare advance payments	(3,620,383)	7,257,424
Net cash provided by (used in) operating activities	\$ (383,878)	\$ 3,858,132
Supplemental Cash Flows Information		
Capital asset additions included in accounts payable and accrued expenses	\$ 181,388	\$ 687,012
Paycheck Protection Program loan forgiveness	6,124,400	-

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

Decatur County Memorial Hospital (Hospital) is an acute care hospital located in Greensburg, Indiana. The Hospital is a component unit of Decatur County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Decatur County area.

The Hospital operates long-term care facilities (LTC) through various lease arrangements with third parties. These facilities provide inpatient and therapy services in their geographic area and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under separate management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. In June 2020, one of the Hospital's long-term care facilities terminated the lease and management agreements. Also in June 2020, the Hospital began operating a new long-term care facility. At December 31, 2021 and 2020, the Hospital operates a total of six long-term care facilities.

In accordance with GASB Statement No. 61, the financial statements include the financial statements of the Decatur County Memorial Hospital Foundation (Foundation). The Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital, and has therefore been reported as a blended component unit.

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

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally county appropriations, and federal and state grants) are recognized when all applicable eligibility requirements are met. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

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Operating Activities

The Hospital defines operating activities, as reported in the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received, as well as program-specific, government-mandated nonexchange transactions. Nearly all of the Hospital's expenses are from exchange transactions. Certain revenues relied upon for operations, such as county appropriations, noncapital grants and contributions, including government-mandated nonexchange transactions that are not program specific, investment income, and loan forgiveness are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Risk Management

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

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

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Investments and Investment Income

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

Investment income includes dividend and interest income 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.

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. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the Hospital:

Land improvements	5 - 25 years
Buildings and leasehold improvements	5 - 40 years
Equipment	5 - 25 years
Major moveable equipment	3 - 25 years
Vehicles	4 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease 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 years ended December 31, 2021 and 2020.

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Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date and is therefore included in current liabilities.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings and related accounts payable used to finance the purchase or construction of those assets. Restricted net position consists of the minority equity ownership of Pain Management, as well as noncapital assets that must be used for a particular purpose, as 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 assets, less remaining liabilities, that do not meet the definition of net investment in capital assets or restricted net position.

Unearned Grant Revenue

Unearned grant revenue represents funds received from the Provider Relief Fund as authorized through the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), the *American Rescue Plan Act* (ARPA Act), and other state and local grants. Such funding is recognized as revenue when the Hospital meets the applicable eligibility requirements, including the incurrence of eligible expenses or lost revenues. At December 31, 2021, the Hospital recorded no unearned grant revenue. At December 31, 2020, unearned grant revenue was \$1,600,000.

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.

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Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charity care provided in 2021 and 2020, measured at estimated cost, approximated \$880,000 and \$670,000, respectively. Estimated cost is derived from a ratio of total operating expenses as a percentage of gross charges.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509(a)(2) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files federal tax returns in the U.S. federal jurisdiction.

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

Foundation

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

Future Accounting Standard

In fiscal year 2022, the Hospital will implement GASB Statement No. 87, *Leases*. The statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability, while the lessor will recognize a lease receivable and related deferred inflow of resources. The Hospital has not determined the impact of this new standard on its financial statements; however, it could have a material future impact.

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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

The Hospital is designated by Medicare as a critical access hospital (CAH). Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. At December 31, 2021 and 2020, the Hospital recorded a receivable for estimated cost report settlements of \$900,000 and \$2,800,000, respectively, which are included in estimated third-party settlements.

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care subject to certain eligibility requirements.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis. At December 31, 2021 and 2020, the Hospital recorded a receivable for estimated settlements related to its rural health clinics of \$2,000,000 and \$1,100,000, respectively, which are in estimated third-party settlements.

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

Approximately 68% and 66% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1.3 million within net patient service revenue related to this supplemental payment program for each of the years ended December 31, 2021 and 2020. Amounts outstanding at December 31, 2021 and 2020 approximated \$674,000 and are accrued as a receivable in estimated third-party settlements. The accrued amount represents management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

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The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred fees approximating \$2,676,000 and \$2,329,000 related to this Medicaid program for 2021 and 2020, respectively, which is recorded as an operating expense in the statements of revenues, expenses and changes in net position. Amounts outstanding under the assessment fee program approximated \$803,000 and \$420,000 as of December 31, 2021 and 2020, respectively, and the liability is included in estimated third-party settlements.

The Hospital's Medicaid Inpatient Utilization Rate (MIUR) exceeded state-wide thresholds, as defined by state regulation, during its most recent measurement period. A benefit of having a MIUR exceeding this threshold includes a 25% reduction in the provider assessment fee. The provider assessment fee program is subject to further retroactive rate settings by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital, including the 25% benefit, through December 31, 2021.

The state measures MIUR percentages no less than every four years and no more than every two years. At each measurement period, the state-defined MIUR threshold changes, which could affect the Hospital's eligibility status. Any change in MIUR eligibility would affect the Hospital's ability to receive the 25% provider assessment fee reduction. The State's most recent measurement is for the period ended June 30, 2021. Any change in the amount of tax due as a result of eligibility changes will be recorded in the period the state has made its determination.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and is included in other operating revenue. The Hospital recognized approximately \$6.4 million and \$7.2 million related to this supplemental payment program for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, \$1.7 million and \$1.5 million, respectively, are accrued and included in prepaid expenses and other current assets.

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

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Note 3: Deposits, Investments and Investment Return

Deposits

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

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

Investments

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

At December 31, 2021 and 2020, the Hospital had the following investments and maturities:

Type	Fair Value	2021			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 227,577	\$ 227,577	\$ -	\$ -	\$ -
Equity mutual funds	29,385,221	29,385,221	-	-	-
Fixed income mutual funds	8,884,117	8,884,117	-	-	-
U.S. agency obligations	14,254	-	-	-	14,254
	<u>\$ 38,511,169</u>	<u>\$ 38,496,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,254</u>

Type	Fair Value	2020			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 1,256,737	\$ 1,256,737	\$ -	\$ -	\$ -
Equity mutual funds	23,558,037	23,558,037	-	-	-
Fixed income mutual funds	8,582,924	8,582,924	-	-	-
Balanced mutual funds	243,697	243,697	-	-	-
U.S. agency obligations	61,321	-	-	-	61,321
	<u>\$ 33,702,716</u>	<u>\$ 33,641,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,321</u>

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2021 and 2020, the Hospital's investments were not rated by Standard & Poor's or Moody's Investors Service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer. The Hospital's policy is to limit holdings in equities to 70% and to limit fixed income holdings to 60%.

Summary of Carrying Values

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

	<u>2021</u>	<u>2020</u>
Carrying value:		
Deposits	\$ 20,463,602	\$ 23,993,828
Investments	<u>38,511,169</u>	<u>33,702,716</u>
	<u>\$ 58,974,771</u>	<u>\$ 57,696,544</u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 20,463,602	\$ 23,993,828
Short-term investments	36,295,078	31,511,676
Noncurrent cash and investments		
Internally designated for capital improvements	1,704,265	1,704,265
Restricted by contributors and grantors	<u>511,826</u>	<u>486,775</u>
	<u>\$ 58,974,771</u>	<u>\$ 57,696,544</u>

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Investment Return

Investment return for the years ended December 31 consisted of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 1,169,685	\$ 560,941
Net increase in fair value of investments	<u>3,296,573</u>	<u>3,360,392</u>
	<u>\$ 4,466,258</u>	<u>\$ 3,921,333</u>

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31 consisted of:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 4,481,783	\$ 3,847,389
Medicaid	4,368,689	2,900,365
Other third-party payors	5,057,171	5,132,349
Patients	<u>6,407,053</u>	<u>6,819,885</u>
	20,314,696	18,699,988
Less allowance for uncollectible accounts	<u>4,642,073</u>	<u>5,303,638</u>
	<u>\$ 15,672,623</u>	<u>\$ 13,396,350</u>

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Note 6: Accounts Payable and Accrued Expenses

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

	2021	2020
Payable to suppliers, contractors and other	\$ 15,419,639	\$ 12,864,179
Payable to employees (including payroll taxes and benefits)	4,333,807	4,449,024
Balance, end of year	\$ 19,753,446	\$ 17,313,203

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance up to coverage limits under the Indiana Malpractice Act (the Act) under a claims-made policy on a fixed premium basis. The Hospital is covered under the Act which limits professional liability for claims on or after July 1, 2017 to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid through malpractice insurance coverage, with the remainder due from the Fund. For claims on or after July 1, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through commercial insurance coverage, with the remainder due from the Fund.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. Commercial stop-loss insurance coverage is purchased for claims in excess of a \$50,000 aggregate specific deductible on top of a \$150,000 aggregate group specific deductible for a maximum annual reimbursement of \$1,000,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

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Activity in the Hospital's accrued employee health claims liability, which is included in accounts payable and accrued expenses in the balance sheets, during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 857,278	\$ 275,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,168,430	4,143,033
Claims and expenses paid	(4,625,708)	(3,560,755)
Balance, end of year	\$ 400,000	\$ 857,278

Note 9: Long-Term Obligations and Line of Credit

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

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bond payable:					
Capital improvement bond, series 2012	\$ 4,395,479	\$ -	\$ (537,441)	\$ 3,858,038	\$ 550,401
Capital lease obligations	22,126	-	(22,126)	-	-
Paycheck Protection Program loan payable	6,124,400	-	(6,124,400)	-	-
Total long-term debt	10,542,005	-	(6,683,967)	3,858,038	550,401
Other liabilities:					
Medicare advance payments	7,257,424	-	(3,620,383)	3,637,041	3,637,041
Other accrued liabilities	1,223,690	-	(611,845)	611,845	611,845
Total long-term obligations	\$ 19,023,119	\$ -	\$ (10,916,195)	\$ 8,106,924	\$ 4,799,287

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	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bond payable:					
Capital improvement bond, series 2012	\$ 4,918,327	\$ -	\$ (522,848)	\$ 4,395,479	\$ 535,826
Capital lease obligations	41,540	-	(19,414)	22,126	20,445
Paycheck Protection Program loan payable	-	6,124,400	-	6,124,400	6,124,400
Total long-term debt	4,959,867	6,124,400	(542,262)	10,542,005	6,680,671
Other liabilities:					
Medicare advance payments	-	7,257,424	-	7,257,424	2,911,610
Other accrued liabilities	-	1,223,690	-	1,223,690	611,845
	\$ 4,959,867	\$ 14,605,514	\$ (542,262)	\$ 19,023,119	\$ 10,204,126

Capital Improvements Bonds, Series 2012 and Series 2022

The Capital Improvements Bond, Series 2012 (Series 2012 Bond) consists of bonds payable in the original amount up to \$8,000,000 dated August 1, 2012, issued by the Hospital. The bonds were issued to fund certain expansions of the Hospital. During the construction phase, bond advances were made to fund the costs of the construction project. The bond is payable in monthly installments of \$54,059 through June 2028 and bears interest at 2.65%. The Series 2012 Bond is secured by a mortgage on certain improvements and real property of the Hospital.

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

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The debt service requirements on the bond payable, as of December 31, 2021, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2022	\$ 648,703	\$ 550,401	\$ 98,302
2023	648,703	565,373	83,330
2024	648,703	580,549	68,154
2025	648,703	597,905	50,798
2026	648,703	614,169	34,534
2027 - 2028	<u>973,055</u>	<u>949,641</u>	<u>23,414</u>
	<u>\$ 4,216,570</u>	<u>\$ 3,858,038</u>	<u>\$ 358,532</u>

Paycheck Protection Program Loan Payable

During 2020, the Hospital received a loan in the amount of \$6,124,400 pursuant to the Small Business Association (SBA) Paycheck Protection Program (PPP) as authorized by the CARES Act and other subsequent legislation. The loan was financed through a bank. The Hospital used loan proceeds to pay for eligible expenses, including payroll and benefits.

As of December 31, 2020, the Hospital had not received formal approval for forgiveness of the loan. As such, the Hospital elected to account for the funding in accordance with GASB Statement 62, and for 2020, the PPP loan is included on the accompanying balance sheet as current maturities of long-term debt and is included on the accompanying statement of cash flows as cash provided by noncapital financing activities.

In July 2021, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment in the accompanying statement of revenues, expenses and changes in net position, within nonoperating income.

Line of Credit

The Hospital executed a \$3,000,000 line of credit in April 2020 to provide liquidity due to the operational impact of COVID-19. The line of credit matured in April 2022 and interest on outstanding draws accrues at a variable LIBOR-based rate. The line of credit is secured by certain assets of the Hospital. During the years ended December 31, 2021 and 2020, there were no amounts drawn on this line of credit. This agreement was amended subsequent to year-end to extend the maturity to April 2023.

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Note 10: Pension Plan

The Hospital contributes to a defined-contribution pension plan, as authorized by Indiana Code 16-22-3-11, covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan administrator is the Executive Director of Human Resources for the Hospital. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. The Hospital is required to match 100% of the employee contribution up to 1% of employee's compensation. In addition, the Hospital may make a discretionary contribution as determined by the Hospital Board, which was 3% for 2021 and 2020. Hospital expense related to the employer contributions to the plan approximated \$1,010,000 for 2021 compared to \$940,000 for 2020.

Note 11: Disclosures About Fair Value of Assets

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

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

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments by fair value level				
Equity mutual funds	\$ 29,385,221	\$ 29,385,221	\$ -	\$ -
Fixed income mutual funds	8,884,117	8,884,117	-	-
U.S. agency obligations	14,254	-	14,254	-
	<u>38,283,592</u>	<u>\$ 38,269,338</u>	<u>\$ 14,254</u>	<u>\$ -</u>
Total investments measured by fair value level	38,283,592	\$ 38,269,338	\$ 14,254	\$ -
Investments measured at the net asset value (NAV)				
Money market mutual funds	<u>227,577</u>			
Total investments measured at fair value	<u>\$ 38,511,169</u>			

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	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by fair value level				
Equity mutual funds	\$ 23,558,037	\$ 23,558,037	\$ -	\$ -
Fixed income mutual funds	8,582,924	8,582,924	-	-
Balanced mutual funds	243,697	243,697	-	-
U.S. agency obligations	61,321	-	61,321	-
		<u>-</u>	<u>61,321</u>	<u>-</u>
Total investments measured by fair value level	32,445,979	<u>\$ 32,384,658</u>	<u>\$ 61,321</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Money market mutual funds	<u>1,256,737</u>			
Total investments measured at fair value	<u>\$ 33,702,716</u>			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 3 assets at December 31, 2021 and 2020.

Note 12: Commitments and Contingencies

Litigation

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

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Note 13: Noncapital Appropriations - Decatur County

Decatur County, of which the Hospital is a component unit, subsidized the Hospital for providing the County with ambulance service. The Hospital recognizes these payments as nonoperating revenue. The Hospital recognized subsidy revenue of approximately \$132,000 and \$121,000, respectively, for the years ended 2021 and 2020.

Note 14: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2021 and 2020:

	December 31, 2021				
	Hospital	Foundation	Pain Management	Eliminations	Total
Assets					
Current assets	\$ 80,424,362	\$ 1,065,548	\$ 77,965	\$ -	\$ 81,567,875
Due from related party	1,793,011	-	185,295	(1,978,306)	-
Capital assets, net	40,613,554	-	-	-	40,613,554
Other assets	1,818,891	504,344	-	(107,144)	2,216,091
Total assets	<u>\$ 124,649,818</u>	<u>\$ 1,569,892</u>	<u>\$ 263,260</u>	<u>\$ (2,085,450)</u>	<u>\$ 124,397,520</u>
Liabilities					
Current liabilities	\$ 24,738,642	\$ -	\$ 5,248	\$ -	\$ 24,743,890
Due to related party	1,916,518	13,864	47,924	(1,978,306)	-
Noncurrent liabilities	3,307,637	-	-	-	3,307,637
Total liabilities	<u>29,962,797</u>	<u>13,864</u>	<u>53,172</u>	<u>(1,978,306)</u>	<u>28,051,527</u>
Net Position					
Net investment in capital assets	36,574,128	-	-	-	36,574,128
Restricted	7,482	504,344	102,944	-7,482	614,770
Unrestricted	58,105,411	1,051,684	107,144	(107,144)	59,157,095
Total net position	<u>94,687,021</u>	<u>1,556,028</u>	<u>210,088</u>	<u>(107,144)</u>	<u>96,345,993</u>
Total liabilities and net position	<u>\$ 124,649,818</u>	<u>\$ 1,569,892</u>	<u>\$ 263,260</u>	<u>\$ (2,085,450)</u>	<u>\$ 124,397,520</u>

	December 31, 2020				
	Hospital	Foundation	Pain Management	Eliminations	Total
Assets					
Current assets	\$ 77,877,692	\$ 978,739	\$ 94,247	\$ -	\$ 78,950,678
Due from related party	12,141	-	176,398	(188,539)	-
Capital assets, net	37,224,804	-	-	-	37,224,804
Other assets	1,830,143	479,243	-	(118,346)	2,191,040
Total assets	<u>\$ 116,944,780</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>
Liabilities					
Current liabilities	\$ 28,920,413	\$ -	\$ 5,405	\$ -	\$ 28,925,818
Due to related party	143,209	12,141	33,189	(188,539)	-
Noncurrent liabilities	8,818,993	-	-	-	8,818,993
Total liabilities	<u>37,882,615</u>	<u>12,141</u>	<u>38,594</u>	<u>(188,539)</u>	<u>37,744,811</u>
Net Position					
Net investment in capital assets	32,120,187	-	-	-	32,120,187
Restricted	7,532	479,243	113,705	-	600,480
Unrestricted	46,934,446	966,598	118,346	(118,346)	47,901,044
Total net position	<u>79,062,165</u>	<u>1,445,841</u>	<u>232,051</u>	<u>(118,346)</u>	<u>80,621,711</u>
Total liabilities and net position	<u>\$ 116,944,780</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>

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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 years ended December 31, 2021 and 2020:

	December 31, 2021				
	Hospital	Foundation	Pain Management	Eliminations	Total
Operating Revenues					
Net patient service revenue	\$ 111,669,061	\$ -	\$ 745,245	\$ -	\$ 112,414,306
Other operating revenue	14,601,712	-	-	(144,182)	14,457,530
Total operating revenues	<u>126,270,773</u>	<u>-</u>	<u>745,245</u>	<u>(144,182)</u>	<u>126,871,836</u>
Operating Expenses					
Salaries, wages, contract labor and employee benefits	61,455,376	-	271,910	-	61,727,286
Purchased services and professional fees	27,665,048	-	125,198	-	27,790,246
Depreciation and amortization	3,843,232	-	-	-	3,843,232
Other operating expenses	35,405,043	-	65,425	-	35,470,468
Total operating expenses	<u>128,368,699</u>	<u>-</u>	<u>462,533</u>	<u>-</u>	<u>128,831,232</u>
Operating Income (Loss)	<u>(2,097,926)</u>	<u>-</u>	<u>282,712</u>	<u>(144,182)</u>	<u>(1,959,396)</u>
Nonoperating Revenues (Expenses)					
Investment return	4,359,639	106,619	-	-	4,466,258
Interest expense	(111,986)	-	-	-	(111,986)
Noncapital grants and contributions	6,385,487	154,382	-	-	6,539,869
Paycheck Protection Program loan forgiveness	6,124,400	-	-	-	6,124,400
Noncapital appropriations - Decatur County	132,000	-	-	-	132,000
Other	833,242	(150,814)	-	-	682,428
Total nonoperating revenues (expenses)	<u>17,722,782</u>	<u>110,187</u>	<u>-</u>	<u>-</u>	<u>17,832,969</u>
Excess (Deficit) of Revenues Over Expenses	15,624,856	110,187	282,712	(144,182)	15,873,573
Other Changes in Net Position	-	-	(304,675)	155,384	(149,291)
Increase (Decrease) in Net Position	<u>\$ 15,624,856</u>	<u>\$ 110,187</u>	<u>\$ (21,963)</u>	<u>\$ 11,202</u>	<u>\$ 15,724,282</u>
	December 31, 2020				
	Hospital	Foundation	Pain Management	Eliminations	Total
Operating Revenues					
Net patient service revenue	\$ 95,637,034	\$ -	\$ 721,415	\$ -	\$ 96,358,449
Other operating revenue	16,068,319	-	-	(155,795)	15,912,524
Total operating revenues	<u>111,705,353</u>	<u>-</u>	<u>721,415</u>	<u>(155,795)</u>	<u>112,270,973</u>
Operating Expenses					
Salaries, wages, contract labor and employee benefits	59,346,252	-	247,241	-	59,593,493
Purchased services and professional fees	22,569,543	-	105,716	-	22,675,259
Depreciation and amortization	3,857,639	-	-	-	3,857,639
Other operating expenses	32,778,300	-	63,039	-	32,841,339
Total operating expenses	<u>118,551,734</u>	<u>-</u>	<u>415,996</u>	<u>-</u>	<u>118,967,730</u>
Operating Income (Loss)	<u>(6,846,381)</u>	<u>-</u>	<u>305,419</u>	<u>(155,795)</u>	<u>(6,696,757)</u>
Nonoperating Revenues (Expenses)					
Investment return	3,795,395	125,938	-	-	3,921,333
Interest expense	(127,687)	-	-	-	(127,687)
Noncapital grants and contributions	17,512,990	157,550	-	-	17,670,540
Noncapital appropriations - Decatur County	121,000	-	-	-	121,000
Other	653,410	(157,055)	-	-	496,355
Total nonoperating revenues (expenses)	<u>21,955,108</u>	<u>126,433</u>	<u>-</u>	<u>-</u>	<u>22,081,541</u>
Excess (Deficit) of Revenues Over Expenses	15,108,727	126,433	305,419	(155,795)	15,384,784
Other Changes in Net Position	-	-	(284,008)	144,876	(139,132)
Increase in Net Position	<u>\$ 15,108,727</u>	<u>\$ 126,433</u>	<u>\$ 21,411</u>	<u>\$ (10,919)</u>	<u>\$ 15,245,652</u>

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Note 15: Long-Term Care Operating Lease and Management Agreements

The Hospital has entered into various agreements to lease the facilities and equipment for the operation of six nursing homes. Along with the lease agreements, the Hospital has also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. These agreements include original terms of two years with optional two-year extension periods. The management agreements include optional termination clauses by either party if material changes in circumstances, as defined in the agreements, occur. The leases include termination clauses where the lease shall automatically end at the termination of the management agreement between the Hospital and the Managers.

The lease agreements call for monthly base rent payments as outlined in the agreements. Rental expense approximated \$2.9 million and \$2.8 million in 2021 and 2020, respectively.

The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are determined on percentages of net patient service revenue of the individual facilities and range from 2% to 5%. Incentive management fees are to be paid only if sufficient working capital exists. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers. Management and other fees approximated \$2.0 million and \$2.9 million in 2021 and 2020, respectively, and include waivers of certain fees as insufficient cash flows existed to fund the amounts due.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$13.0 million and \$10.5 million at December 31, 2021 and 2020, reflect amounts due to the Managers and their vendors.

Note 16: COVID-19 Pandemic and Provider Relief 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. Over the past two years, patient volumes and the related revenues have been affected by COVID-19 stemming from the implementation of various policies by federal, state, and local governments in response to the pandemic, as these policies led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases. The Hospital will continue to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

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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; and
- Reduction of certain planned projects and capital expenditures

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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 the allowance for uncollectible accounts related to patient accounts receivable, and potential impairments of long-lived and other assets.

Provider Relief Funds

During the years ended December 31, 2021 and 2020, the Hospital received \$2.8 million and \$18.4 million, respectively, of distributions from the CARES Act Provider Relief Fund and the ARPA Act Relief Fund (collectively, Provider Relief Funds). These distributions from the Provider Relief Funds 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 Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities.

Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2020, the Hospital recognized \$16.8 million into revenue. The unrecognized portion (\$1.6 million) was deferred and recorded as unearned grant revenue in the accompanying 2020 balance sheet.

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Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2021, the Hospital recognized \$4.4 million into revenue. There is no unrecognized portion being deferred and recorded as unearned grant revenue in the accompanying 2021 balance sheet.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds 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, the Hospital's 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 Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

Medicare Advance Payments

As part of the CARES Act legislation, the Centers for Medicare & Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program to a broad group of Medicare Part A providers as a means to provide additional cash flow at the onset of the COVID-19 pandemic in March 2020. The Hospital met the eligibility criteria and was approved for advance payments, receiving approximately \$7.3 million in April 2020. Under the terms of the program, repayment of the funds began one year from the date the advance payment was issued (April 2021 for the Hospital); beginning then and continuing through February 2022, the advance payments are being recouped at a rate of 25% of any Medicare payments owed to the Hospital. Beginning with month 12 (March 2022), the recoupment rate increases to 50%, with a lump-sum due for any remaining balance at the conclusion of month 17 (August or September 2022).

As of December 31, 2021, approximately \$3.6 million of the advances remain outstanding, and the entire balance is recorded as a current liability given repayment in full is expected in 2022. As of December 31, 2020, the \$7.3 million of outstanding advance payments was recorded as a current portion (\$2.9 million) and a noncurrent portion (\$4.4 million) based on estimates driven by historical and projected future Medicare claims volumes.

Deferred Employer Payroll Taxes

As part of the CARES Act legislation, organizations are eligible to defer payment of the employer's share of Social Security payroll taxes owed on wages paid for the year ended December 31, 2020. These deferred tax payments are due in two installments: 50% due by December 31, 2021 and 50% due by December 31, 2022.

At December 31, 2021, the deferred balance is approximately \$600,000 and is included within current liabilities (accounts payable and accrued expenses). At December 31, 2020, the deferred balance was \$1.2 million, with \$600,000 included in current liabilities (accounts payable and accrued expenses) and \$600,000 included in noncurrent liabilities (other accrued liabilities).

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Other COVID-19 Funding

During 2021, the Hospital received approximately \$1.9 million in additional state funding for vaccine administration, and in 2020, the Hospital received additional state and federal grants and awards approximating \$670,000, which were to be used for COVID-19 specific activities and expansion of telehealth programs. These funds are recorded as nonoperating revenue (noncapital grants and contributions) within the accompanying statement of revenues, expenses and changes in net position.

During 2020, in response to the COVID-19 pandemic, the nursing home operations owned by the Hospital were subject to Medicaid rate increases, and certain “COVID ready” facilities received additional increases in Medicaid rates and per diems during portions of 2020. These rate increases are included within net patient service revenue as the funding constitutes reimbursement for care or treatment provided.

Further, beginning in 2020 and continuing through December 31, 2021, the federal government’s response to COVID-19 temporarily reduced the non-federal share associated with funding of certain supplemental Medicaid payments, which led to increases in net UPL revenue received.

Supplementary Information

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Combining Balance Sheet Information
December 31, 2021

	2021					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Assets						
Current Assets						
Cash and cash equivalents	\$ 18,401,141	\$ 1,841,918	\$ 142,578	\$ 77,965	\$ -	\$ 20,463,602
Short-term investments	35,389,988	-	905,090	-	-	36,295,078
Patient accounts receivable, net of allowance of Hospital - \$3,902,413; LTC - \$739,660	8,788,217	6,884,406	-	-	-	15,672,623
Supplies	1,312,889	-	-	-	-	1,312,889
Estimated third-party settlements	3,621,378	-	-	-	-	3,621,378
Prepaid expenses and other assets	1,585,486	2,598,939	17,880	-	-	4,202,305
Due from related party	661,826	1,131,185	-	185,295	(1,978,306)	-
Total current assets	<u>69,760,925</u>	<u>12,456,448</u>	<u>1,065,548</u>	<u>263,260</u>	<u>(1,978,306)</u>	<u>81,567,875</u>
Noncurrent Cash and Investments						
Internally designated for capital improvements	1,704,265	-	-	-	-	1,704,265
Restricted by contributors and grantors	7,482	-	504,344	-	-	511,826
Total noncurrent cash and investments	<u>1,711,747</u>	<u>-</u>	<u>504,344</u>	<u>-</u>	<u>-</u>	<u>2,216,091</u>
Capital Assets, net	<u>40,613,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,613,554</u>
Investment in Equity Investee	<u>107,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,144)</u>	<u>-</u>
Total assets	<u>\$ 112,193,370</u>	<u>\$ 12,456,448</u>	<u>\$ 1,569,892</u>	<u>\$ 263,260</u>	<u>\$ (2,085,450)</u>	<u>\$ 124,397,520</u>
Liabilities and Net Position						
Current Liabilities						
Current maturities of long-term debt	\$ 550,401	\$ -	\$ -	\$ -	\$ -	\$ 550,401
Accounts payable and accrued expenses	7,391,003	12,357,195	-	5,248	-	19,753,446
Estimated third-party settlements	803,002	-	-	-	-	803,002
Unearned grant revenue	-	-	-	-	-	-
Current portion of Medicare advance payments	3,637,041	-	-	-	-	3,637,041
Due to related party	1,268,554	647,964	13,864	47,924	(1,978,306)	-
Total current liabilities	<u>13,650,001</u>	<u>13,005,159</u>	<u>13,864</u>	<u>53,172</u>	<u>(1,978,306)</u>	<u>24,743,890</u>
Noncurrent Liabilities						
Long-term debt	3,307,637	-	-	-	-	3,307,637
Other accrued liabilities	-	-	-	-	-	-
Long-term portion of Medicare advance payments	-	-	-	-	-	-
Total noncurrent liabilities	<u>3,307,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,307,637</u>
Total liabilities	<u>16,957,638</u>	<u>13,005,159</u>	<u>13,864</u>	<u>53,172</u>	<u>(1,978,306)</u>	<u>28,051,527</u>
Net Position						
Net investment in capital assets	36,574,128	-	-	-	-	36,574,128
Restricted:						
Expendable for capital acquisitions	-	-	230,573	-	-	230,573
Expendable for specific operating activities	7,482	-	273,771	-	-	281,253
Other	-	-	-	102,944	-	102,944
Unrestricted	58,654,122	(548,711)	1,051,684	107,144	(107,144)	59,157,095
Total net position	<u>95,235,732</u>	<u>(548,711)</u>	<u>1,556,028</u>	<u>210,088</u>	<u>(107,144)</u>	<u>96,345,993</u>
Total liabilities and net position	<u>\$ 112,193,370</u>	<u>\$ 12,456,448</u>	<u>\$ 1,569,892</u>	<u>\$ 263,260</u>	<u>\$ (2,085,450)</u>	<u>\$ 124,397,520</u>

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Combining Balance Sheet Information
December 31, 2020

	2020					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Assets						
Current Assets						
Cash and cash equivalents	\$ 20,059,411	\$ 3,296,876	\$ 543,294	\$ 94,247	\$ -	\$ 23,993,828
Short-term investments	31,087,836	-	423,840	-	-	31,511,676
Patient accounts receivable, net of allowance of Hospital - \$3,806,893; LTC - \$1,496,745	8,378,460	5,017,890	-	-	-	13,396,350
Supplies	1,518,195	-	-	-	-	1,518,195
Estimated third-party settlements	4,543,753	-	-	-	-	4,543,753
Prepaid expenses and other assets	1,446,560	2,528,711	11,605	-	-	3,986,876
Due from related party	12,141	-	-	176,398	(188,539)	-
Total current assets	<u>67,046,356</u>	<u>10,843,477</u>	<u>978,739</u>	<u>270,645</u>	<u>(188,539)</u>	<u>78,950,678</u>
Noncurrent Cash and Investments						
Internally designated for capital improvements	1,704,265	-	-	-	-	1,704,265
Restricted by contributors and grantors	7,532	-	479,243	-	-	486,775
Total noncurrent cash and investments	<u>1,711,797</u>	<u>-</u>	<u>479,243</u>	<u>-</u>	<u>-</u>	<u>2,191,040</u>
Capital Assets, net	<u>37,224,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,224,804</u>
Investment in Equity Investee	<u>118,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,346)</u>	<u>-</u>
Total assets	<u>\$ 106,101,303</u>	<u>\$ 10,843,477</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>
Liabilities and Net Position						
Current Liabilities						
Current maturities of long-term debt	\$ 6,680,671	\$ -	\$ -	\$ -	\$ -	\$ 6,680,671
Accounts payable and accrued expenses	7,830,234	9,477,564	-	5,405	-	17,313,203
Estimated third-party settlements	420,334	-	-	-	-	420,334
Unearned grant revenue	1,600,000	-	-	-	-	1,600,000
Current portion of Medicare advance payments	2,000,000	911,610	-	-	-	2,911,610
Due to related party	143,209	-	12,141	33,189	(188,539)	-
Total current liabilities	<u>18,674,448</u>	<u>10,389,174</u>	<u>12,141</u>	<u>38,594</u>	<u>(188,539)</u>	<u>28,925,818</u>
Noncurrent Liabilities						
Long-term debt	3,861,334	-	-	-	-	3,861,334
Other accrued liabilities	533,091	78,754	-	-	-	611,845
Long-term portion of Medicare advance payments	4,345,814	-	-	-	-	4,345,814
Total noncurrent liabilities	<u>8,740,239</u>	<u>78,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,818,993</u>
Total liabilities	<u>27,414,687</u>	<u>10,467,928</u>	<u>12,141</u>	<u>38,594</u>	<u>(188,539)</u>	<u>37,744,811</u>
Net Position						
Net investment in capital assets	32,120,187	-	-	-	-	32,120,187
Restricted:						
Expendable for capital acquisitions	-	-	230,573	-	-	230,573
Expendable for specific operating activities	7,532	-	248,670	-	-	256,202
Other	-	-	-	113,705	-	113,705
Unrestricted	46,558,897	375,549	966,598	118,346	(118,346)	47,901,044
Total net position	<u>78,686,616</u>	<u>375,549</u>	<u>1,445,841</u>	<u>232,051</u>	<u>(118,346)</u>	<u>80,621,711</u>
Total liabilities and net position	<u>\$ 106,101,303</u>	<u>\$ 10,843,477</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Combining Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2021

	2021					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Operating Revenues						
Net patient service revenue, net of provision for uncollectible accounts of Hospital - \$5,151,366; LTC - \$2,157,765	\$ 74,309,767	\$ 37,359,294	\$ -	\$ 745,245	\$ -	\$ 112,414,306
Other	8,125,014	6,476,698	-	-	(144,182)	14,457,530
Total operating revenues	<u>82,434,781</u>	<u>43,835,992</u>	<u>-</u>	<u>745,245</u>	<u>(144,182)</u>	<u>126,871,836</u>
Operating Expenses						
Salaries, wages and contract labor	32,685,972	19,384,616	-	215,973	-	52,286,561
Employee benefits	7,765,927	1,618,861	-	55,937	-	9,440,725
Purchased services and professional fees	16,063,514	11,601,534	-	125,198	-	27,790,246
Medical supplies, drugs and other supplies	15,973,466	2,568,724	-	31,671	-	18,573,861
Utilities	812,395	1,051,360	-	-	-	1,863,755
Repairs and maintenance	2,213,245	396,982	-	-	-	2,610,227
Lease and rentals	51,123	3,339,896	-	23,754	-	3,414,773
Insurance	981,059	883,857	-	6,100	-	1,871,016
Depreciation and amortization	3,843,232	-	-	-	-	3,843,232
Other	1,249,638	3,207,000	-	3,900	-	4,460,538
Provider hospital assessment fee	2,676,298	-	-	-	-	2,676,298
Total operating expenses	<u>84,315,869</u>	<u>44,052,830</u>	<u>-</u>	<u>462,533</u>	<u>-</u>	<u>128,831,232</u>
Operating Income (Loss)	<u>(1,881,088)</u>	<u>(216,838)</u>	<u>-</u>	<u>282,712</u>	<u>(144,182)</u>	<u>(1,959,396)</u>
Nonoperating Revenues (Expenses)						
Investment return	4,359,639	-	106,619	-	-	4,466,258
Interest expense	(111,986)	-	-	-	-	(111,986)
Noncapital grants and contributions	5,116,160	1,269,327	154,382	-	-	6,539,869
Paycheck Protection Program loan forgiveness	6,124,400	-	-	-	-	6,124,400
Noncapital appropriations - Decatur County	132,000	-	-	-	-	132,000
Other	682,693	150,549	(150,814)	-	-	682,428
Total nonoperating revenues (expenses)	<u>16,302,906</u>	<u>1,419,876</u>	<u>110,187</u>	<u>-</u>	<u>-</u>	<u>17,832,969</u>
Excess of Revenues Over Expenses Before Transfers	14,421,818	1,203,038	110,187	282,712	(144,182)	15,873,573
Transfers	2,127,298	(2,127,298)	-	-	-	-
Other Changes in Net Position	-	-	-	(304,675)	155,384	(149,291)
Increase (Decrease) in Net Position	16,549,116	(924,260)	110,187	(21,963)	11,202	15,724,282
Net Position, Beginning of Year	78,686,616	375,549	1,445,841	232,051	(118,346)	80,621,711
Net Position, End of Year	<u>\$ 95,235,732</u>	<u>\$ (548,711)</u>	<u>\$ 1,556,028</u>	<u>\$ 210,088</u>	<u>\$ (107,144)</u>	<u>\$ 96,345,993</u>

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Combining Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2020

	2020					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Operating Revenues						
Net patient service revenue, net of provision for uncollectible accounts of Hospital - \$5,001,477; LTC - \$1,524,381	\$ 61,373,526	\$ 34,263,508	\$ -	\$ 721,415	\$ -	\$ 96,358,449
Other	8,833,515	7,234,804	-	-	(155,795)	15,912,524
Total operating revenues	<u>70,207,041</u>	<u>41,498,312</u>	<u>-</u>	<u>721,415</u>	<u>(155,795)</u>	<u>112,270,973</u>
Operating Expenses						
Salaries, wages and contract labor	30,326,431	19,561,160	-	196,379	-	50,083,970
Employee benefits	7,654,792	1,803,869	-	50,862	-	9,509,523
Purchased services and professional fees	13,732,683	8,836,860	-	105,716	-	22,675,259
Medical supplies, drugs and other supplies	14,171,980	3,327,528	-	25,007	-	17,524,515
Utilities	800,230	987,523	-	-	-	1,787,753
Repairs and maintenance	2,017,408	215,326	-	-	-	2,232,734
Lease and rentals	27,012	3,215,185	-	24,259	-	3,266,456
Insurance	663,048	573,873	-	6,100	-	1,243,021
Depreciation and amortization	3,857,639	-	-	-	-	3,857,639
Other	1,240,455	3,209,780	-	7,673	-	4,457,908
Provider hospital assessment fee	2,328,952	-	-	-	-	2,328,952
Total operating expenses	<u>76,820,630</u>	<u>41,731,104</u>	<u>-</u>	<u>415,996</u>	<u>-</u>	<u>118,967,730</u>
Operating Income (Loss)	<u>(6,613,589)</u>	<u>(232,792)</u>	<u>-</u>	<u>305,419</u>	<u>(155,795)</u>	<u>(6,696,757)</u>
Nonoperating Revenues (Expenses)						
Investment return	3,795,395	-	125,938	-	-	3,921,333
Interest expense	(127,687)	-	-	-	-	(127,687)
Noncapital grants and contributions	8,897,491	8,615,499	157,550	-	-	17,670,540
Noncapital appropriations - Decatur County	121,000	-	-	-	-	121,000
Other	653,410	-	(157,055)	-	-	496,355
Total nonoperating revenues (expenses)	<u>13,339,609</u>	<u>8,615,499</u>	<u>126,433</u>	<u>-</u>	<u>-</u>	<u>22,081,541</u>
Excess of Revenues Over Expenses Before Transfers	6,726,020	8,382,707	126,433	305,419	(155,795)	15,384,784
Transfers	7,811,752	(7,811,752)	-	-	-	-
Other Changes in Net Position	-	-	-	(284,008)	144,876	(139,132)
Increase (Decrease) in Net Position	14,537,772	570,955	126,433	21,411	(10,919)	15,245,652
Net Position, Beginning of Year	64,148,844	(195,406)	1,319,408	210,640	(107,427)	65,376,059
Net Position, End of Year	<u>\$ 78,686,616</u>	<u>\$ 375,549</u>	<u>\$ 1,445,841</u>	<u>\$ 232,051</u>	<u>\$ (118,346)</u>	<u>\$ 80,621,711</u>

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
Decatur County Memorial Hospital
Greensburg, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Decatur County Memorial Hospital (Hospital), which comprise the balance sheet as of December 31, 2021, 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 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Indianapolis, Indiana
May 27, 2022