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STATE BOARD OF ACCOUNTS
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March 2, 2023

Board of Trustees
Harrison County Hospital
1141 Hospital Drive NW
Corydon, IN 47112

We have reviewed the audit report of Harrison County Hospital which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Harrison County 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.

We call your attention to the finding included in the report on page 41. Please the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 46.

In our opinion, Blue & Co., LLC, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The 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



**HARRISON COUNTY HOSPITAL
AND AFFILIATED ORGANIZATION**

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Harrison County Hospital and
Affiliated Organization
Corydon, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harrison County Hospital and Affiliated Organization (collectively the "Hospital"), a component unit of Harrison County, Indiana, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2021 and 2020, and the respective changes in its net position and 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, the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Board of Trustees
Harrison County Hospital and
Affiliated Organization
Corydon, Indiana

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

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information 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

Board of Trustees
Harrison County Hospital and
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Corydon, Indiana

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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 the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
October 24, 2022

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Management's discussion and analysis of the financial performance of Harrison County Hospital ("HCH") and Harrison MOB, LLC ("the MOB"), (collectively described as "the Hospital") provides an overview of the Hospital's financial activities and performance for the years ended December 31, 2021 and 2020. This discussion and analysis should be read in conjunction with the accompanying Hospital's financial statements.

FINANCIAL HIGHLIGHTS

The Hospital's net position decreased \$434,328 from 2020 to 2021 and included loss from operations of \$4,653,637. During 2021, the Hospital's total operating revenue increased by 6.8% to \$114,189,473, while total operating expenses increased by 3.2% to \$118,843,110. Non-operating revenues and expenses decreased by \$4,029,248.

- The declaration of the public health emergency for the United States on January 31, 2020 and the continuing coronavirus ("COVID-19") pandemic has been a significant challenge. We are proud of our team members' tremendous dedication to meeting the medical needs of our community.
- The Hospital raised rates by 4.5% in 2021.
- In an effort to increase Medicaid reimbursement to hospitals, the State of Indiana implemented a Hospital Assessment Fee program in 2012. Indiana hospitals are assessed a fee which allows the state to access Federal funds allowing it to pay Medicaid patient claims at higher rates, not to exceed Medicare reimbursement. The Hospital incurred \$2,323,137 in Hospital Assessment Fees expense in 2021, an increase of \$549,079 over the \$1,774,058 incurred in 2020.
- During 2019 and 2020, the Hospital assumed ownership of the bed licenses of seven long term care facilities. The Hospital entered into management agreements with the previous owners and/or management entities to manage the day-to-day operations of the facilities. The Hospital also leases the buildings and premises from the prior owners. Upper payment limit amounts recognized in net patient service revenue resulting from these long-term care facilities were \$3,128,684 in 2021 and \$2,651,905 in 2020.
- As described further below, during 2021 and 2020, the Hospital recognized approximately \$3,936,000 and \$6,940,000, respectively, in Provider Relief Fund and other coronavirus related grants authorized by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act passed in March 2020 and American Rescue Plan ("ARP") Act passed in March 2021. The funds were permitted to be used to cover operating expenses and/or lost patient revenues attributable to coronavirus. The Financial Accounting Standards Board ("FASB") requires these grant funds to be reported within operating revenues because they represent reimbursements of expenses and lost revenues associated with the Hospital's central, ongoing operations. However, the Hospital is required to follow Governmental Accounting Standards Board ("GASB") pronouncements, not FASB. GASB requires that these grant funds are reported within nonoperating revenues and expenses. As a result, the grant funds received do not offset the operating losses that the Hospital sustained in 2021 and 2020 as a result of pandemic-related disruptions.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

FINANCIAL STATEMENTS

The financial statements of the Hospital present information about the Hospital using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The balance sheet includes all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the Hospital. All of the current and prior year's revenues and expenses are accounted for in the statement of operations and changes in net position. This statement measures the financial results of the Hospital's operations and presents revenues earned and expenses incurred and provides information concerning the components of changes to net position. The statement of cash flows provides information about the Hospital's cash flows from operating activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The balance sheet and statement of operations and changes in net position report information about the Hospital's activities. These statements report the net position of the Hospital and its changes. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population changes (including uninsured and medically indigent individuals and families) and new or changed governmental legislation should also be considered.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

CONDENSED FINANCIAL INFORMATION

A summary of the Hospital's balance sheets as of December 31, 2021 and 2020 is presented below:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 24,088,914	\$ 22,477,906	\$ 1,611,008	7.2%
Capital assets	23,630,588	24,762,605	(1,132,017)	-4.6%
Assets whose use is limited	7,253,774	8,950,764	(1,696,990)	-19.0%
Deferred outflows	<u>139,616</u>	<u>169,009</u>	<u>(29,393)</u>	-17.4%
Total assets and deferred outflows	<u>\$ 55,112,892</u>	<u>\$ 56,360,284</u>	<u>\$ (1,247,392)</u>	-2.2%
Liabilities				
Current liabilities	\$ 17,113,345	\$ 12,577,762	\$ 4,535,583	36.1%
Long-term liabilities	<u>5,605,816</u>	<u>10,954,463</u>	<u>(5,348,647)</u>	-48.8%
Total liabilities	22,719,161	23,532,225	(813,064)	-3.5%
Net position				
Net investment in capital assets	16,754,842	16,520,083	234,759	1.4%
Unrestricted	<u>15,638,889</u>	<u>16,307,976</u>	<u>(669,087)</u>	-4.1%
Total net position	<u>32,393,731</u>	<u>32,828,059</u>	<u>(434,328)</u>	-1.3%
Total liabilities and net position	<u>\$ 55,112,892</u>	<u>\$ 56,360,284</u>	<u>\$ (1,247,392)</u>	-2.2%

- Cash and cash equivalents increased by approximately \$4,348,000 from 2020 to 2021. The Hospital received approximately \$2,595,000 in additional stimulus funding provided under the CARES Act and ARP Act authorized by Congress in response to the COVID-19 pandemic. Patient volumes began to recover gradually, and ongoing, central operations stabilized after the initial outbreak of the pandemic in 2020. The increase in cash and cash equivalents was offset by a decrease of approximately \$2,558,000 in estimated third-party payor settlements receivable from 2020 to 2021 as the substantial 2020 Medicare Cost Report settlement was received in 2021 while the 2021 Medicare Cost Report settlement resulted in a liability due to Medicare, which is included in current liabilities.
- Capital assets decreased by approximately \$1,132,000 from 2020 to 2021 as depreciation expense exceeded capital purchases during 2021.
- Current liabilities increased by approximately \$4,536,000 from 2020 to 2021. The increase is primarily a result of an increase in management fees and amounts accruing due to the manager of the long-

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

term care facilities in the future. 2021 was the first full year that included three of the seven long-term care facilities that were added in November 2020.

- Long term liabilities decreased by approximately \$5,349,000 from 2020 to 2021. The unrecouped outstanding Medicare Accelerated and Advance payment balance of approximately \$3,900,000 that was included in long-term liabilities as of December 31, 2020, will be recouped and/or repaid in 2022 and is now included in current liabilities. In addition, principal payments on LT debt totaled approximately \$1,396,000 in 2021.

A summary of the Hospital's balance sheets as of December 31, 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 22,477,906	\$ 17,901,193	\$ 4,576,713	25.6%
Capital assets	24,762,605	27,056,905	(2,294,300)	-8.5%
Assets whose use is limited	8,950,764	9,386,410	(435,646)	-4.6%
Deferred outflows	<u>169,009</u>	<u>198,402</u>	<u>(29,393)</u>	-14.8%
Total assets and deferred outflows	<u>\$ 56,360,284</u>	<u>\$ 54,542,910</u>	<u>\$ 1,817,374</u>	3.3%
Liabilities				
Current liabilities	\$ 12,577,762	\$ 12,101,255	\$ 476,507	3.9%
Long-term liabilities	<u>10,954,463</u>	<u>9,627,444</u>	<u>1,327,019</u>	13.8%
Total liabilities	23,532,225	21,728,699	1,803,526	8.3%
Net position				
Net investment in capital assets	16,520,083	16,283,837	236,246	1.5%
Unrestricted	<u>16,307,976</u>	<u>16,530,374</u>	<u>(222,398)</u>	-1.3%
Total net position	<u>32,828,059</u>	<u>32,814,211</u>	<u>13,848</u>	0.0%
Total liabilities and net position	<u>\$ 56,360,284</u>	<u>\$ 54,542,910</u>	<u>\$ 1,817,374</u>	3.3%

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

A summary of the Hospital's statements of operations and changes in net position for the years ended December 31, 2021 and 2020 is presented below:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues				
Net patient service revenue	\$ 111,940,944	\$ 104,840,318	\$ 7,100,626	6.8%
Other revenue	<u>2,248,529</u>	<u>2,035,291</u>	<u>213,238</u>	10.5%
Total operating revenues	114,189,473	106,875,609	7,313,864	6.8%
Operating expenses				
Salaries and benefits	62,827,086	62,119,493	707,593	1.1%
Supplies and drugs	13,944,720	15,017,334	(1,072,614)	-7.1%
Depreciation	3,064,580	3,148,446	(83,866)	-2.7%
Other operating expenses	<u>39,006,724</u>	<u>34,825,045</u>	<u>4,181,679</u>	12.0%
Total operating expenses	<u>118,843,110</u>	<u>115,110,318</u>	<u>3,732,792</u>	3.2%
Loss from operations	(4,653,637)	(8,234,709)	3,581,072	43.5%
Nonoperating revenues	<u>4,219,309</u>	<u>8,248,557</u>	<u>(4,029,248)</u>	-48.8%
Change in net position	(434,328)	13,848	(448,176)	3236.4%
Net position, beginning of year	<u>32,828,059</u>	<u>32,814,211</u>	<u>13,848</u>	0.0%
Net position, end of year	<u>\$ 32,393,731</u>	<u>\$ 32,828,059</u>	<u>\$ (434,328)</u>	-1.3%

A summary of the Hospital's statements of operations and changes in net position for the years ended December 31, 2020 and 2019 is presented below:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues				
Net patient service revenue	\$ 104,840,318	\$ 83,027,498	\$ 21,812,820	26.3%
Other revenue	<u>2,035,291</u>	<u>2,052,368</u>	<u>(17,077)</u>	-0.8%
Total operating revenues	106,875,609	85,079,866	21,795,743	25.6%
Operating expenses				
Salaries and benefits	62,119,493	46,435,978	15,683,515	33.8%
Supplies and drugs	15,017,334	10,435,983	4,581,351	43.9%
Depreciation	3,148,446	3,281,273	(132,827)	-4.0%
Other operating expenses	<u>34,825,045</u>	<u>26,245,452</u>	<u>8,579,593</u>	32.7%
Total operating expenses	<u>115,110,318</u>	<u>86,398,686</u>	<u>28,711,632</u>	33.2%
Loss from operations	(8,234,709)	(1,318,820)	(6,915,889)	-524.4%
Nonoperating revenues (expenses)	<u>8,248,557</u>	<u>158,405</u>	<u>8,090,152</u>	-5107.3%
Change in net position	13,848	(1,160,415)	1,174,263	101.2%
Net position, beginning of year	<u>32,814,211</u>	<u>33,974,626</u>	<u>(1,160,415)</u>	-3.4%
Net position, end of year	<u>\$ 32,828,059</u>	<u>\$ 32,814,211</u>	<u>\$ 13,848</u>	0.0%

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

SOURCES OF REVENUE

The Hospital derives the majority of its revenue from charges for patient care and related services. The Hospital is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Hospital has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

The Hospital's percentages of gross revenue by payor for 2021, 2020, and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	43 %	45 %	45 %
Medicaid	24	22	20
Blue Cross	15	12	14
Other third-party payors	11	12	14
Self-pay	<u>7</u>	<u>9</u>	<u>7</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's financial performance from operations improved in 2021 in comparison to 2020 after the Hospital's overall financial performance declined from 2019 to 2020. A discussion of the highlights of 2021 operations and changes in activity is presented below:

Revenues

Net patient service revenues of the Hospital increased by approximately \$7,101,000 or 6.8% from 2020 to 2021. Highlights of this are as follows:

- There was a 4.5% rate increase in 2021 effective on the first day of the year.
- Net patient service revenues from HCH operations (excluding the long-term care facilities) increased by approximately \$4,162,000 or 8.3% from 2020 to 2021 as the profound impact of the pandemic lessened and overall volumes recovered, while inpatient volumes remained well below 2019 pre-pandemic levels.
- Contractual, bad debt, and charity care adjustments as a percentage of gross patient revenues remained consistent from 2020 to 2021 (57.2% to 57.1%) after a decrease of 7.7% from 2019 to 2020 as pandemic related relief measures enacted by government and private insurance payors remained in effect in 2021.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Expenses

Total operating expenses increased by approximately \$3,733,000 or 3.2% in 2021. Highlights of this increase are as follows:

- Increase in operating expenses is relatively consistent with the increase in revenues as volumes and activity recovered in 2021 after the initial outbreak of the pandemic.
- As mentioned previously, Hospital Assessment Fees associated with HCH operations (excluding the long-term care facilities) increased by approximately \$549,000 or 31.0% while the cost of medical supplies and drugs decreased by approximately \$459,000 or 4.1% due to the additional purchases required in 2020 upon the outbreak of the coronavirus pandemic.

FINANCIAL ANALYSIS – CASH FLOWS

Hospital cash flows increased by approximately \$2,183,000 during 2021. The increase in cash was primarily a result of payments received through Provider Relief Fund provided under the CARES and ARP Acts along with the general recovery in patient volumes and central operations in 2021.

Capital Assets

	2021	2020	\$ Change	% Change
Land and land improvements	\$ 6,380,571	\$ 6,380,571	\$ -0-	0.0%
Leasehold improvements	3,419,775	3,605,135	(185,360)	-5.1%
Buildings	42,016,204	41,606,349	409,855	1.0%
Equipment	26,042,782	28,545,826	(2,503,044)	-8.8%
Construction in progress	309,536	175,006	134,530	76.9%
	<u>78,168,868</u>	<u>80,312,887</u>	<u>(2,144,019)</u>	<u>-2.7%</u>
Less accumulated depreciation	<u>54,538,280</u>	<u>55,550,282</u>	<u>(1,012,002)</u>	<u>-1.8%</u>
Capital assets, net	<u>\$ 23,630,588</u>	<u>\$ 24,762,605</u>	<u>\$ (1,132,017)</u>	<u>-4.6%</u>

	2020	2019	\$ Change	% Change
Land and land improvements	\$ 6,380,571	\$ 6,380,571	\$ -0-	0.0%
Leasehold improvements	3,605,135	3,605,135	-0-	0.0%
Buildings	41,606,349	41,551,916	54,433	0.1%
Equipment	28,545,826	28,251,032	294,794	1.0%
Construction in progress	175,006	82,082	92,924	113.2%
	<u>80,312,887</u>	<u>79,870,736</u>	<u>442,151</u>	<u>0.6%</u>
Less accumulated depreciation	<u>55,550,282</u>	<u>52,813,831</u>	<u>2,736,451</u>	<u>5.2%</u>
Capital assets, net	<u>\$ 24,762,605</u>	<u>\$ 27,056,905</u>	<u>\$ (2,294,300)</u>	<u>-8.5%</u>

The Hospital's capital assets decreased by approximately \$1,132,000 in 2021. Major capital expenditures included construction on the Pharmacy Clean Room Renovation project for \$305,759, two ambulances

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

totaling \$488,716, Storage Area Network project expenditures of \$150,508, an ultrasound machine for \$120,120, and a mobile x-ray machine for 117,958. Further detail regarding the Hospital's capital assets is available in Note 6 to the financial statements.

Long-Term Debt

At December 31, 2021, the Hospital had total long-term debt \$7,015,362. This is comprised of \$3,806,528 in Hospital revenue bonds, \$604,752 in Hospital notes payable, and \$2,604,082 in MOB revenue bonds outstanding.

ECONOMIC FACTORS AND 2022 BUDGET

The Hospital's Board and management considered many factors when establishing the 2022 budget. Included was the status of the economy, which takes into consideration market factors and other environmental factors such as the following items:

- Provider supply vs. demand causing increased employment subsidy costs
- Increased salary and benefit costs due to low unemployment rate
- Advances in medical equipment and information systems technology and the need to replace obsolete equipment
- Decreasing reimbursement from governmental and commercial insurance payors
- Increasing costs of medical supplies and pharmaceuticals
- Nationwide workforce shortages in nursing and other healthcare specialist positions
- Increasing awareness and expectations from the public on the quality of services
- Increased competition from niche providers and area hospitals
- Size, composition, and needs of the Hospital's physician medical staff

CONTACTING THE HOSPITAL

This report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances. These financial statements include the activities of HCH, which include the long-term care facilities and MOB. If you have questions about this report or need additional information, contact Chuck Wiley, Chief Financial Officer at 812-734-3861.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

	2021	2020
	<u> </u>	<u> </u>
Current assets		
Cash and cash equivalents	\$ 10,555,107	\$ 6,207,600
Patient accounts receivable, net of estimated uncollectibles of \$5,905,763 in 2021 and \$6,195,092 in 2020	10,783,488	10,322,617
Inventories	1,398,323	1,593,477
Prepaid expenses and other current assets	1,351,996	1,796,326
Estimated third-party payor settlements	-0-	2,557,886
Total current assets	<u>24,088,914</u>	<u>22,477,906</u>
Assets whose use is limited	7,253,774	8,950,764
Capital assets, net	<u>23,630,588</u>	<u>24,762,605</u>
Total assets	54,973,276	56,191,275
Deferred outflows - deferred loss on bond refunding	<u>139,616</u>	<u>169,009</u>
Total assets and deferred outflows	<u>\$ 55,112,892</u>	<u>\$ 56,360,284</u>

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET POSITION

	2021	2020
Current liabilities		
Accounts payable	\$ 7,144,421	\$ 1,364,142
Accrued personnel costs	2,907,178	2,763,685
Accrued expenses	746,242	865,272
Current portion of refundable advances	4,146,941	6,248,061
Estimated third-party payor settlements	759,017	-0-
Current portion of obligations under capital leases	-0-	451
Current portion of long-term debt	1,409,546	1,336,151
Total current liabilities	17,113,345	12,577,762
Long-term liabilities		
Refundable advances, net of current portion	-0-	3,879,534
Long-term debt, net of current portion	5,605,816	7,074,929
Total long-term liabilities	5,605,816	10,954,463
Total liabilities	22,719,161	23,532,225
Net position		
Net investment in capital assets	16,754,842	16,520,083
Unrestricted	15,638,889	16,307,976
Total net position	32,393,731	32,828,059
Total liabilities and net position	\$ 55,112,892	\$ 56,360,284

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Net patient service revenue	\$ 111,940,944	\$ 104,840,318
Rent revenue	229,024	354,213
Other revenue	<u>2,019,505</u>	<u>1,681,078</u>
Total operating revenues	114,189,473	106,875,609
Operating expenses		
Salaries and wages	55,843,954	55,427,494
Employee benefits and payroll taxes	6,983,132	6,691,999
Professional medical fees	7,186,128	7,183,128
Medical supplies	8,400,228	9,198,551
Other supplies	3,430,436	3,414,318
Drugs	2,114,056	2,404,465
Purchased services	7,293,038	7,732,863
Utilities	2,609,585	2,600,040
Insurance	1,590,859	1,497,577
Depreciation	3,064,580	3,148,446
Hospital assessment fee	2,323,137	1,774,058
Rent	8,077,940	8,094,762
Management fees	8,607,775	4,077,341
Other operating expenses	<u>1,318,262</u>	<u>1,865,276</u>
Total operating expenses	<u>118,843,110</u>	<u>115,110,318</u>
Loss from operations	(4,653,637)	(8,234,709)
Nonoperating revenues	<u>4,219,309</u>	<u>8,248,557</u>
Change in net position	(434,328)	13,848
Net position, beginning of year	<u>32,828,059</u>	<u>32,814,211</u>
Net position, end of year	<u>\$ 32,393,731</u>	<u>\$ 32,828,059</u>

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating activities		
Cash received for patient services	\$ 114,796,976	\$ 104,788,428
Cash paid to/for employees	(62,683,593)	(62,692,736)
Cash paid to vendors and suppliers	(46,949,185)	(55,334,162)
Other receipts, net	<u>2,248,529</u>	<u>2,035,291</u>
Net cash flows from operating activities	7,412,727	(11,203,179)
Noncapital financing activities		
Change in refundable advances	(5,980,654)	10,127,595
Grant revenue	3,961,691	6,939,952
Noncapital contributions	<u>-0-</u>	<u>5,000</u>
Net cash flows from noncapital financing activities	(2,018,963)	17,072,547
Capital and related financing activities		
Principal payments on obligations under capital leases	(451)	(17,788)
Principal payments on long-term debt	(1,395,718)	(2,542,151)
Interest paid	(245,243)	(288,562)
Purchase of capital assets	(1,634,089)	(854,146)
Proceeds from sale of capital assets	5,194	-0-
Gain on disposal of capital assets	(5,194)	-0-
Change in deferred outflows	<u>29,393</u>	<u>29,393</u>
Net cash flows from capital and related financing activities	(3,246,108)	(3,673,254)
Investing activities		
Investment income	500,687	304,688
Other nonoperating revenues (expenses)	2,174	1,287,479
Change in assets whose use is limited	<u>(467,463)</u>	<u>(262,766)</u>
Net cash flows from investing activities	35,398	1,329,401
Net change in cash and cash equivalents	2,183,054	3,525,515
Cash and cash equivalents, beginning of year	<u>12,213,238</u>	<u>8,687,723</u>
Cash and cash equivalents, end of year	<u><u>\$ 14,396,292</u></u>	<u><u>\$ 12,213,238</u></u>
Reconciliation of cash and cash equivalents to the balance sheets		
Cash and cash equivalents in current assets	\$ 10,555,107	\$ 6,207,600
Cash and cash equivalents in assets whose use is limited	<u>3,841,185</u>	<u>6,005,638</u>
Total cash and cash equivalents	<u><u>\$ 14,396,292</u></u>	<u><u>\$ 12,213,238</u></u>

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of income from operations to net cash flows from operating activities		
Income (loss) from operations	\$ (4,653,637)	\$ (8,234,709)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities		
Depreciation	3,064,580	3,148,446
Provision for bad debts	5,546,507	4,779,303
Changes in operating assets and liabilities		
Patient accounts receivable	(6,007,378)	(2,540,623)
Inventories	195,154	(249,356)
Prepaid expenses and other current assets	444,330	(51,540)
Estimated third-party payor settlements	3,316,903	(2,290,570)
Accounts payable	5,481,805	(538,769)
Accrued personnel costs	143,493	(573,243)
Accrued expenses	(119,030)	(4,652,118)
Net cash flows from operating activities	<u>\$ 7,412,727</u>	<u>\$ (11,203,179)</u>
Supplemental disclosures of noncash activities		
Capital assets acquired included in accounts payable	\$ 298,474	\$ -0-

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Harrison County Hospital ("HCH") is a not-for-profit, acute care hospital located in Corydon, Indiana. The Hospital is county owned and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital is organized for the purpose of providing healthcare services to the residents of Harrison County and the surrounding area. The Hospital's primary sources of support are from patient revenues and other ancillary income. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves.

Pursuant to the provision of long-term care, HCH owns the operations of seven long-term care nursing facilities. These facilities provide inpatient and therapy services in their geographic area and supports the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by a third party under management agreements. The revenues from operations are the property of HCH and HCH is responsible for the associated operating expenses and working capital requirements.

Harrison MOB, LLC ("MOB") is a limited liability company that is wholly-owned by the Hospital. The MOB was organized to construct, own, and operate a medical office building adjacent to the Hospital in Corydon, Indiana. The MOB's primary source of revenue is from rental income.

The significant accounting policies followed by HCH and MOB (collectively the "Hospital") in the preparation of the financial statements (hereinafter "financial statements") are summarized below:

Reporting Entity

The accompanying financial statements include the accounts of HCH and MOB. The Board of County Commissioners of Harrison County appoints the Governing Board of HCH and a financial benefit/burden relationship exists between the County and HCH. For these reasons, the HCH is considered a component unit of Harrison County. Similarly, due to its organized purpose, MOB is considered a blended component unit of HCH.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles ("GAAP"). The Hospital follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Risk Management

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

Cash and Cash Equivalents

Cash and cash equivalents as reported on the balance sheet include petty cash and other cash on hand amounts, checking accounts, and savings accounts that are readily available for use. Cash and cash equivalents as reported on the statement of cash flows include investments in highly liquid assets with maturity dates of 90 days or less when purchased.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, which includes both patients without insurance and patient with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The December 31, 2021 and 2020 allowance for doubtful accounts balance was comprised of the following:

	<u>2021</u>	<u>2020</u>
Reserve for third-party payor balances	\$ 1,125,308	\$ 1,069,825
Reserve for self-pay balances	<u>4,780,455</u>	<u>5,125,267</u>
Total allowance for doubtful accounts	<u>\$ 5,905,763</u>	<u>\$ 6,195,092</u>

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizable value ("NRV"), with cost being determined on the first-in, first-out ("FIFO") method.

Assets Whose Use is Limited and Investments

Assets whose use is limited include assets set aside by the respective Boards for future capital improvements, over which the Boards retain control and may at their discretion subsequently use for other purposes; assets held by trustees under indenture agreements; assets that have been restricted by donors for specific purposes; and amounts that have been set aside as part of deferred compensation plans. Investment income or loss, including realized gains and losses on investments and assets whose use is limited, net change in the market value of assets whose use is limited, and interest, is included in nonoperating revenues (expenses) when earned.

Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury, and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents, if any, are reported as investments at cost.

Capital Assets

The Hospital's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Classification of Net Position

The net position of the Hospital is classified in four components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation plus deferred outflows related to losses on bond refunding which are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position* includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. (3) *Restricted nonexpendable net position* includes the principal portion of

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

permanent endowments and non-controlling interests owned by external investors. (4) *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets or restricted*.

Statements of Operations and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income (loss) from operations include investment income, contributions and grants recognized, interest expense, restricted expenditures, and the net change in the market value of assets whose use is limited.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were \$395,028 and \$504,175 for the years ended December 31, 2021 and 2020, respectively, and are included within the line item purchased services on the statements of operations and changes in net position.

Income Taxes

HCH has been granted exemption from taxation as a not-for-profit organization by the Internal Revenue Service under Section 115, and in 2005 was also granted exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code for purposes of maintaining a 403b deferred compensation plan. Therefore, no provision for income taxes has been provided in the statement of operations and changes in net position. The MOB has elected to be treated as a partnership for federal and state income tax purposes. Under existing provisions of the Internal Revenue Code, a partnership is not a taxpaying entity for federal or state income tax purposes. Accordingly, no income tax expense has been recorded in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by each entity comprising the Hospital and recognize a tax liability if any Hospital entity has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by each entity of the Hospital, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Each entity of the Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Grants, Contributions, and Refundable Advances

From time to time, the Hospital receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Unrecognized grant funds are included as refundable advances on the balance sheets (see Note 14). Grants are subject to audit by the awarding agency. Based on prior experience, management believes that costs ultimately disallowed, if any, would not materially affect the Hospital's financial position.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were issued, which is October 24, 2022.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to correspond to the current year's format. Total net position and change in net position are unchanged due to these reclassifications.

2. CHANGE IN ACCOUNTING PRINCIPLES

During 2021, the Hospital implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported in the Hospital's financial statements. This statement was adopted prospectively beginning in 2021.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

3. DEPOSITS AND INVESTMENTS

Deposits and investments are comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Carrying amount:		
Cash and cash equivalents	\$ 14,396,292	\$ 12,213,238
Mutual funds	<u>3,412,589</u>	<u>2,945,126</u>
Total	<u>\$ 17,808,881</u>	<u>\$ 15,158,364</u>
Included in the consolidated balance sheet captions:		
Cash and cash equivalents	\$ 10,555,107	\$ 6,207,600
Assets whose use is limited	<u>7,253,774</u>	<u>8,950,764</u>
Total	<u>\$ 17,808,881</u>	<u>\$ 15,158,364</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to FDIC limits or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. This includes any deposit accounts issued or offered by a qualifying institution. The Hospital maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant credit risk on cash.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk for investments. The Hospital believes it is not exposed to any significant interest rate risk on investments.

Credit Risk – Investments

Credit risk is the risk that, in the event of a failure of a financial institution, the Hospital would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. The Hospital does not have a formal investment policy for credit risk for investments. The Hospital believes it is not exposed to any significant credit risk on investments.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Concentration of Credit Risk

The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

Fair Value Measurements and Disclosures

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The following table set forth by level, within the hierarchy, the Hospital's asset and liability measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds				
Large cap domestic	\$ 673,779	\$ -0-	\$ -0-	\$ 673,779
World allocation	445,326	-0-	-0-	445,326
Allocation--30 to 50% equity	777,552	-0-	-0-	777,552
Allocation--50 to 70% equity	497,166	-0-	-0-	497,166
Allocation--70 to 85% equity	727,310	-0-	-0-	727,310
World stock	291,456	-0-	-0-	291,456
Total assets at fair value	<u>\$ 3,412,589</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	3,412,589
Cash and cash equivalents				<u>14,396,292</u>
Total deposits and investments				<u>\$ 17,808,881</u>

The following table set forth by level, within the hierarchy, the Hospital's asset and liability measured at fair value on a recurring basis as of December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds				
Large cap domestic	\$ 542,308	\$ -0-	\$ -0-	\$ 542,308
World allocation	398,386	-0-	-0-	398,386
Allocation--30 to 50% equity	688,320	-0-	-0-	688,320
Allocation--50 to 70% equity	429,464	-0-	-0-	429,464
Allocation--70 to 85% equity	632,723	-0-	-0-	632,723
World stock	253,925	-0-	-0-	253,925
Total assets at fair value	<u>\$ 2,945,126</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	2,945,126
Cash and cash equivalents				<u>12,213,238</u>
Total deposits and investments				<u>\$ 15,158,364</u>

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

4. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable amounts are reported as current assets at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 9,577,204	\$ 8,446,889
Medicaid	5,570,385	4,964,107
Blue Cross	3,683,012	3,264,595
Other insurance carriers	5,480,163	4,790,898
Patients	4,929,343	6,333,801
Medicaid Upper Limit Payment (UPL) Program	<u>597,610</u>	<u>1,101,607</u>
Total patient accounts receivable	29,837,717	28,901,897
Less allowance for contractals	13,148,466	12,384,188
Less allowance for uncollectible amounts	<u>5,905,763</u>	<u>6,195,092</u>
Patient accounts receivable, net	<u>\$ 10,783,488</u>	<u>\$ 10,322,617</u>

5. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are reported at market value and include the following at December 31, 2021 and 2020:

Investment Summary by Type

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,841,185	\$ 6,005,638
Mutual funds	<u>3,412,589</u>	<u>2,945,126</u>
Total assets whose use is limited	<u>\$ 7,253,774</u>	<u>\$ 8,950,764</u>

Investment Summary by Fund

Board-Designated Funds	<u>\$ 7,253,774</u>	<u>\$ 8,950,764</u>
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HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Board-Designated Funds

The Hospital's Board of Trustees approved the funding of depreciation expense to meet the capital asset replacement needs of the facility. Depreciation is funded totally with expenditures for capital items reducing the funded depreciation balance. Board-designated funds also include amounts intended for specific purposes, as established by the Hospital's Board. All income earned by the board-designated accounts is left to accumulate as additions to the funds. Board-designated funds remain under the control of the Board, which may at their discretion later use for other purposes. Therefore, all board-designated funds are included in unrestricted net position.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 3,001,138	\$ -0-	\$ -0-	\$ 3,001,138
Land improvements	3,379,433	-0-	-0-	3,379,433
Leasehold improvements	3,605,135	-0-	(185,360)	3,419,775
Buildings	41,606,349	29,285	380,570	42,016,204
Fixed equipment	28,545,826	831,135	(3,334,179)	26,042,782
Construction in progress	175,006	1,072,143	(937,613)	309,536
Total historical cost	80,312,887	1,932,563	(4,076,582)	78,168,868
Less accumulated depreciation for				
Land improvements	(2,582,533)	(93,472)	-0-	(2,676,005)
Leasehold improvements	(2,534,061)	(183,335)	185,360	(2,532,036)
Buildings	(25,053,582)	(1,524,259)	1,140	(26,576,701)
Fixed equipment	(25,380,106)	(1,263,514)	3,890,082	(22,753,538)
Total accumulated depreciation	(55,550,282)	(3,064,580)	4,076,582	(54,538,280)
Capital assets, net	<u>\$ 24,762,605</u>	<u>\$ (1,132,017)</u>	<u>\$ -0-</u>	<u>\$ 23,630,588</u>

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 3,001,138	\$ -0-	\$ -0-	\$ 3,001,138
Land improvements	3,379,433	-0-	-0-	3,379,433
Leasehold improvements	3,605,135	-0-	-0-	3,605,135
Buildings	41,551,916	-0-	54,433	41,606,349
Fixed equipment	28,251,032	604,394	(309,600)	28,545,826
Construction in progress	82,082	249,752	(156,828)	175,006
Total historical cost	79,870,736	854,146	(411,995)	80,312,887
Less accumulated depreciation for				
Land improvements	(2,487,976)	(94,635)	78	(2,582,533)
Leasehold improvements	(2,350,727)	(183,334)	-0-	(2,534,061)
Buildings	(23,528,919)	(1,526,360)	1,697	(25,053,582)
Fixed equipment	(24,446,209)	(1,344,117)	410,220	(25,380,106)
Total accumulated depreciation	(52,813,831)	(3,148,446)	411,995	(55,550,282)
Capital assets, net	\$ 27,056,905	\$ (2,294,300)	\$ -0-	\$ 24,762,605

7. COMPENSATED ABSENCES

The Hospital's policy on paid days off (which includes vacation, sick leave, personal leave, and holidays) allows full-time employees and regular part-time employees to accrue paid days off, to a maximum of 60 days.

Paid days off are accrued when incurred and reported as a liability. The paid days off accrual at December 31, 2021 and 2020 was \$1,287,408 and \$1,306,794, respectively, and is reported in accrued personnel costs in the financial statements.

8. EMPLOYEE HEALTH BENEFIT PLAN

The Hospital operates a self-funded health plan covering substantially all employees. The Hospital has an annual stop loss limit on the plan of \$60,000 per insured per year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors. The accrued liability for claims liabilities is recorded in accrued expenses on the balance sheets.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Changes in the balance of claims liabilities during the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Accrued liability, beginning of year	\$ 317,000	\$ 255,000
Incurred claims, changes in estimates, and fees/premiums	3,379,749	4,963,740
Claim payments	<u>(3,372,749)</u>	<u>(4,901,740)</u>
Accrued liability, end of year	<u>\$ 324,000</u>	<u>\$ 317,000</u>

9. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan administered by Principal Life as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Principal Life Insurance Company
711 High Street
Des Moines, IA 50392
(515) 247-5111

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. Plan members are voluntary and are established by written authorization for payroll deduction into an annuity savings account. The current rate is 5 percent of annual covered payroll. Employer contributions to the plan were \$1,042,791 and \$1,038,288 for the years ended December 31, 2021 and 2020, respectively.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

10. LONG-TERM DEBT

At December 31, 2021 and 2020, the Hospital was obligated for long-term debt agreements as follows:

	2021	2020
<p>Note payable to bank, due January 2024; monthly payments of \$30,466, including principal and interest; fixed interest at 4.05% Secured by equipment. The net book value of the collateral was \$568,878 at December 31, 2021.</p>	\$ 604,752	\$ 937,969
<p>Harrison County, Indiana Economic Development Revenue Refunding Bonds, Series 2016 (Harrison County Hospital Project) dated September 2016, payable in monthly principal installments of \$71,207 commencing October 2016 through October 2026. Bank Qualified Tax-Exempt interest rate is fixed at 2.61% (if Event of Default or Taxability occurs, either the Default Rate of 4.61% or Taxable Rate of 4.00% will take effect). Secured by first mortgage on Hospital property (includes Hospital land, buildings, and permanent fixtures thereto). The net book value of the collateral was \$14,217,498 as of December 31, 2021.</p>	3,806,528	4,549,472
<p>Harrison County, Indiana Economic Development Revenue Bonds, Series 2017 (Harrison County Hospital Project) dated December 2017, payable in monthly principal installments of \$32,813 commencing January 2018 through December 2027 in addition to a balloon principal payment of \$1,841,087 due at maturity. Bank Qualified Tax-Exempt interest rate is fixed at 2.61% (if Event of Default or Taxability occurs, either the Default Rate of 4.61% or Taxable Rate of 4.03% will take effect). Hospital and MOB are jointly and severally liable with the Hospital Board of Trustees as the Obligated Group Representative of the borrower. Secured by substantially all assets.</p>	2,604,082	2,923,639
	7,015,362	8,411,080
Less current portion	(1,409,546)	(1,336,151)
Long-term debt, net of current portion	\$ 5,605,816	\$ 7,074,929

In December 2017, the MOB's mortgage notes payable were refinanced with proceeds of the 2017 bonds. The Hospital and the MOB are jointly and severally liable for the bonds due to the Hospital's status as the sole corporate member of the MOB following the purchase of the remaining physician non-controlling interest in 2017. The swap agreement associated with the mortgage notes was also terminated as part of the refinancing.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Long-term debt activity for the years ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2016	\$ 4,549,472	\$ -0-	\$ 742,944	\$ 3,806,528	\$ 762,910
Series 2017	<u>2,923,639</u>	<u>-0-</u>	<u>319,557</u>	<u>2,604,082</u>	<u>328,819</u>
	7,473,111	-0-	1,062,501	6,410,610	1,091,729
Direct borrowings	<u>937,969</u>	<u>-0-</u>	<u>333,217</u>	<u>604,752</u>	<u>317,817</u>
Total long-term debt	<u>\$ 8,411,080</u>	<u>\$ -0-</u>	<u>\$ 1,395,718</u>	<u>\$ 7,015,362</u>	<u>\$ 1,409,546</u>

Long-term debt activity for the years ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2016	\$ 5,332,813	\$ -0-	\$ 783,341	\$ 4,549,472	\$ 680,379
Series 2017	<u>4,336,849</u>	<u>-0-</u>	<u>1,413,210</u>	<u>2,923,639</u>	<u>320,240</u>
	9,669,662	-0-	2,196,551	7,473,111	1,000,619
Direct borrowings	<u>1,283,569</u>	<u>-0-</u>	<u>345,600</u>	<u>937,969</u>	<u>335,532</u>
Total long-term debt	<u>\$ 10,953,231</u>	<u>\$ -0-</u>	<u>\$ 2,542,151</u>	<u>\$ 8,411,080</u>	<u>\$ 1,336,151</u>

Debt service requirements on long-term debt at December 31, 2021 are based on the interest rate modes in effect and are as follows:

Year Ending December 31,	Principal	Interest
2022	\$ 1,409,546	\$ 176,024
2023	1,407,907	132,489
2024	1,150,696	97,536
2025	1,181,820	66,412
2026	995,725	33,053
2027	<u>869,668</u>	<u>17,224</u>
Total	<u>\$ 7,015,362</u>	<u>\$ 522,738</u>

The Hospital's debt agreements contain various restrictive covenants, including debt service coverage ratio, days cash on hand, and audited financial statement submission requirements. The Hospital is in violation of the audit submission requirements and has obtained covenant waivers for these violations.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

11. NET PATIENT SERVICE REVENUE

For the years ended December 31, 2021 and 2020, net patient service revenue was as follows:

	2021	2020
Gross patient service revenue		
Inpatient services	\$ 26,179,904	\$ 28,529,301
Outpatient services	160,132,101	145,345,698
Long-term care services	65,037,512	61,817,197
Total gross patient service revenue	251,349,517	235,692,196
Deductions from revenue		
Contractual allowances	(136,051,781)	(128,063,663)
Charity care	(2,023,167)	(1,968,214)
Bad debts	(5,546,507)	(4,779,303)
Medicaid DSH payments recognized	1,084,198	1,307,397
Medicaid upper payment limit	3,128,684	2,651,905
Total deductions from revenue	(139,408,573)	(130,851,878)
Total net patient service revenue	\$ 111,940,944	\$ 104,840,318

The Hospital grants credit without collateral to its patients, most of whom are local residents and insured under third-party payor agreements.

The mix of gross revenues and receivables from patients and third-party payors at December 31, 2021 and 2020 was as follows:

	2021				2020			
	Revenues	%	Receivables	%	Revenues	%	Receivables	%
Medicare	43	%	33	%	45	%	30	%
Medicaid	24		19		22		18	
Blue Cross	15		12		12		12	
Other third-party payors	11		19		12		17	
Patients	7		17		9		23	
	100	%	100	%	100	%	100	%

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare**. The Hospital is a provider of services to patients entitled to coverage under Title XVIII ("Medicare") of the Health Insurance Act. The Hospital is classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.
- **Medicaid**. The Hospital is a provider of services to patients entitled to coverage under Title XIX ("Medicaid") of the Health Insurance Act. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.
- **Charity Care**. The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2021 and 2020, the Hospital incurred estimated costs of \$659,513 and \$684,443, respectively.
- **Medicaid Upper Payment Limit Program**: 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 long-term care operations. For the years ended December 31, 2021 and 2020, revenue of \$3,128,684 and \$2,651,905 associated with the UPL program is recorded net of IGT payments made to the program of \$1,212,352 and \$-, respectively, which are included in net patient service revenue. At December 31, 2021 and 2020, \$597,610 and \$1,101,607 is included in patient accounts receivable, which is recorded net of accrued IGT payments of \$226,679 and \$417,851, respectively.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

- **Other.** The Hospital has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes discounts from established charges, fee schedules, as well as inpatient diagnosis-related group reimbursement methodologies.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud, or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation exists, CMS may suspend payment at any time without providing prior notice to the Hospital. The initial suspensions period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health, Human Services Office of Inspector General, or the United States Department of Justice. Therefore, the Hospital is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Hospital's financial position, results of operations, and cash flows. The Hospital believes that it is in compliance with all applicable laws and regulations.

12. HOSPITAL ASSESSMENT FEE

In 2012, Hospital Assessment Fee ("HAF") Program was approved by CMS. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced claims are designed to follow patients and result in increased Medicaid rates.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

During the years ended December 31, 2021 and 2020, the Hospital recognized HAF program expense of \$2,323,137 and \$1,774,058, respectively, which resulted in Medicaid rate increases. The Medicaid rate increases under the HAF Program are included in net patient service revenue in the statements of operations. The HAF Program was approved for extension through June 30, 2023.

13. NONOPERATING REVENUES

For the years ended December 31, 2021 and 2020, nonoperating revenues were as follows:

	<u>2021</u>	<u>2020</u>
Investment income	\$ 500,687	\$ 304,688
Interest expense	(245,243)	(288,562)
Contributions and grants	3,961,691	6,944,952
Litigation settlement	-0-	2,050,000
Miscellaneous	<u>2,174</u>	<u>(762,521)</u>
Total nonoperating revenues	<u>\$ 4,219,309</u>	<u>\$ 8,248,557</u>

GASB requires interest expense to be reported as nonoperating expense while the Financial Accounting Standards Board ("FASB") requires interest expense to be reported as an operating expense.

Revenues from contribution and grants are primarily comprised of grant funds received under federal programs authorized by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act passed in March 2020 and American Rescue Plan ("ARP") Act passed in March 2021 to combat the impacts of the coronavirus pandemic. See Note 14 below for additional detail regarding contribution and grant income.

During 2020, the Hospital received a settlement award of \$2,050,000. The settlement was associated with a suit brought against a competing Hospital for the violation of a non-compete agreement that the two Hospitals had entered into in a previous year.

14. REFUNDABLE ADVANCES

During the Hospital's fiscal year 2020 and 2021, Provider Relief Fund grants authorized under the CARES Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic (the "Pandemic") under Catalog of Federal Domestic Assistance ("CFDA") #93.498. Revenues from Provider Relief Fund grants are recognized to the extent of a combination of expenses incurred to directly respond to the pandemic, and patient revenues lost as a result of the pandemic, and are included in the statements of operations and changes in net position as grant revenue within nonoperating revenues (expenses). Patient revenues lost represent the deficiency of

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues recognized over the same period in the 2019 calendar year or budgeted net revenues for the same period on a quarterly basis. Provider Relief Fund grants included in refundable advances on the balance sheets represent grant funds received in excess of expenses incurred to directly respond to the pandemic and calculated lost revenues. Funds received on or before December 31, 2021, are subject to recoupment by the grantor in the event that the conditions for recognition are not met before December 31, 2022.

The passage of the CARES Act also authorized CMS to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. For the critical access hospital and the long-term care facilities, the Hospital was eligible to request up to 125% and 100% of the Medicare payments amount for a six-month period, respectively. The Hospital was issued the accelerated/advance payments in April 2020. Recoupment of the advance payment began in 2021 following a one-year deferral period. During the one-year period, Medicare claims submitted by the Hospital continued to be reimbursed at standard rates, after which, the recoupment process began and 25% of payments for submitted claims were recouped by Medicare to reduce the balance of the accelerated or advance payment. Recoupments at 25% will continue over the 11-month period through March 2022. Following the initial 11-month recoupment period, 50% of payments for submitted claims will be withheld to reduce the balance of the accelerated advance payments over a 6-month period through September 2022. Any outstanding balance that has not been recouped in September 2022 will be due in full from the Hospital to CMS. The advance payments are included in refundable advances on the balance sheets.

As of and for the years ended December 31, 2021 and 2020, payments received, revenues recognized, amounts recouped or refunded, and refundable advances or receivables were as follows:

	December 31, 2021				
	Refundable Advances December 31, 2020	Payments Received	Revenue Recognized	Recouped / Refunded	Refundable Advances December 31, 2021
Provider Relief Fund	\$ 1,297,481	\$ 2,594,512	\$ 3,686,003	\$ -0-	\$ 205,990
Medicare Accelerated and Advance Payment Program	8,830,114	-0-	-0-	4,889,163	3,940,951
Total	\$ 10,127,595	\$ 2,594,512	\$ 3,686,003	\$ 4,889,163	\$ 4,146,941

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	December 31, 2020				
	Refundable Advances December 31, 2019	Payments Received	Revenue Recognized	Recouped / Refunded	Refundable Advances December 31, 2020
	December 31, 2019	Received	Recognized	Refunded	December 31, 2020
Provider Relief Fund	\$ -0-	\$ 8,073,130	\$ 6,775,649	\$ -0-	\$ 1,297,481
Medicare Accelerated and Advance Payment Program	-0-	8,830,114	-0-	-0-	8,830,114
Other COVID-19 funding	-0-	164,303	164,303	-0-	-0-
Total	\$ -0-	\$ 17,067,547	\$ 6,939,952	\$ -0-	\$ 10,127,595

15. PROFESSIONAL LIABILITY INSURANCE

The Indiana Medical Malpractice Act, IC 34-18 (the "Act") provides for a maximum recovery of \$1,800,000. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the "Fund"). The Fund is used to pay medical malpractice claims in excess of the per occurrence and annual aggregate amounts noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

16. OPERATING LEASES – LESSEE

The Hospital leases certain equipment under non-cancelable operating leases. Future payments under these non-cancelable operating leases at December 31, 2021 was as follows:

Year Ending December 31,	Amount
2022	\$ 84,069

The Hospital leases certain building space under cancelable operating leases. The Hospital incurred \$8,077,940 and \$8,094,762 in total rent expense for the years ended December 31, 2021 and 2020, respectively, under its cancelable and non-cancelable operating leases.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

17. OPERATING LEASES – LESSOR

The Hospital leases certain space of the medical office building (with a net book value of \$3,247,379 at December 31, 2021) to tenants under operating leases expiring in 2023. The leases contain provisions which require tenants to pay their proportionate share of certain expenses and costs in connection with the Hospital's ownership and operation of the building and common area.

Following is a schedule by years of future minimum rentals to be received under the operating leases with remaining non-cancelable lease terms in excess of one year as of December 31, 2021:

Year ended December 31:	Amount
2022	\$ 91,751
2023	102,092
2024	105,540
2025	105,540
2026	26,385
Total minimum receipts	<u>\$ 431,308</u>

18. CONTINGENCIES

Legal

The Hospital is susceptible to a variety of legal proceedings and claims by others against the Hospital in a variety of matters arising out of the conduct of the Hospital's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

There may be unknown incidents arising from services provided to patients; however, because the annual insurance policy only covers claims that have been asserted and incidents reported to the insurance carrier, these unknown incidents are not yet covered by insurance. Management intends to maintain the current claims-made insurance coverage to cover any unknown incidents that may be asserted.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Hospital's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus ("COVID-19") a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue, contributions and funding, and investment portfolio declines. Management believes the Hospital is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

19. COMMITMENTS

As of December 31, 2021, the Hospital has construction and renovation project commitments as follows:

<u>Project</u>	<u>Expected Date of Completion</u>	<u>Estimated Total Cost of Project</u>	<u>Costs Incurred as of 12/31/2021</u>
Kids First Cerner Conversion	April 2022	\$ 65,000	\$ 9,050
Nurse Call System	July 2022	323,000	113,006
Infection Control Module	August 2022	58,600	32,050
Kids First MOB Space Buildout	April 2022	365,000	155,430
		<u>\$ 811,600</u>	<u>\$ 309,536</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

20. CONDENSED FINANCIAL INFORMATION

The Hospital includes one blended component unit, the MOB, in its reporting entity. Condensed component unit information for its blended component unit as of and for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance sheet		
Assets		
Current assets	\$ 410,259	\$ 352,358
Capital assets, net	4,516,030	4,460,896
Total assets	<u>\$ 4,926,289</u>	<u>\$ 4,813,254</u>
Liabilities		
Current liabilities	\$ 1,255,871	\$ 1,129,869
Long-term liabilities	2,275,263	2,603,399
Total liabilities	<u>3,531,134</u>	<u>3,733,268</u>
Net position		
Net investment in capital assets	1,911,948	1,537,257
Unrestricted	(516,793)	(457,271)
Total net position	<u>1,395,155</u>	<u>1,079,986</u>
Total liabilities and net position	<u>\$ 4,926,289</u>	<u>\$ 4,813,254</u>
Statement of operations and changes in net position		
Operating revenues	\$ 935,562	\$ 905,494
Operating expenses		
Depreciation and amortization	297,913	283,170
Other operating expenses	249,003	299,248
Total operating expenses	<u>546,916</u>	<u>582,418</u>
Income from operations	388,646	323,076
Nonoperating revenues (expenses)	<u>(73,477)</u>	<u>(83,612)</u>
Change in net position	315,169	239,464
Net position - beginning of year	1,079,986	840,522
Net position - end of year	<u>\$ 1,395,155</u>	<u>\$ 1,079,986</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	2021	2020
Statement of cash flows		
Cash provided by		
Operating activities	\$ 422,161	\$ 252,146
Capital and related financing activities	(353,047)	(63,470)
Total	<u>69,114</u>	<u>188,676</u>
Cash - beginning of year	349,621	160,945
Cash - end of year	<u>\$ 418,735</u>	<u>\$ 349,621</u>

21. RECENT GASB PRONOUNCEMENT

Management has not currently determined what effects, if any, the implementation of the following recently enacted pronouncement may have on its future financial statements:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for periods beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement will enhance the needs of financial statement users by improving accounting and financial reporting for leases by governments. In May 2020, the GASB issues GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months.



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

Board of Trustees
 Harrison County Hospital
 Corydon, Indiana

We have audited, in accordance with the 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 Harrison County Hospital and Affiliated Organization (collectively the "Hospital") (a nonprofit organization), which comprise the balance sheet as of December 31, 2021, and the related statements of operations 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 October 24, 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 with those charged with governance.

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

Board of Trustees
Harrison County Hospital
Corydon, Indiana

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.

Blue & Co., LLC

Louisville, Kentucky
October 24, 2022



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Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
 Harrison County Hospital
 Corydon, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harrison County Hospital and Affiliated Organization's (collectively the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

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

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

Board of Directors
Harrison County Hospital
Corydon, Indiana

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Board of Directors
Harrison County Hospital
Corydon, Indiana

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Board of Directors
Harrison County Hospital
Corydon, Indiana

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2021 and have issued our report thereon dated October 24, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Louisville, Kentucky
October 24, 2022

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X none reported

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X none reported

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X yes _____ no

Identification of major programs:

CFDA Number

93.498

Name of Federal Program

COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ yes X no

See Report of Independent Auditors on pages 1-3.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section II – Financial Statement Findings

No findings were noted during 2021.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section III – Federal Award Findings and Questioned Costs

2021-001: Submission of Single Audit Reporting Package Required by the Uniform Guidance

Criteria: The single audit reporting package is due to the Federal Audit Clearinghouse within nine months after year end.

Condition: The single audit reporting package was not submitted within this timeframe.

Cause: Due to delays in completing the financial statement audit, the single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe.

Effect: The single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe which resulted in an instance of noncompliance.

Questioned Costs: \$--

Context: Single audit requirements direct the grant recipient to comply with the filing requisites.

Recommendation: We recommend that the Hospital file the single audit reporting package with the Federal Audit Clearinghouse.

Management's Response: Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section IV – Prior Year Financial Statement Findings

No findings were noted during 2020.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-through/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Major programs				
U.S. Department of Health and Human Services Health Resources and Services Administration COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	\$ -0-	\$ 8,073,130
Total major programs			-0-	8,073,130
Non-major programs				
U.S. Department of Health and Human Services Health Resources and Services Administration COVID-19 Claims Reimbursement to Health Care Providers for Testing, Treatment, and Vaccine Administration for the Uninsured	93.461	N/A	-0-	371,193
U.S. Department of Health and Human Services Health Resources and Services Administration Indiana Hospital Association COVID-19 - Rural Health Research Centers	93.155	N/A	-0-	249,799
Total non-major programs			-0-	620,992
Total Expenditures of Federal Awards			\$ -0-	\$ 8,694,122

See Report of Independent Auditors on pages 1-3.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Harrison County Hospital and Affiliated Organization (collectively the "Hospital") under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. PROVIDER RELIEF FUNDS

Expenditures reported on the Schedule for the Provider Relief Fund ("PRF") are based on the Hospital's June 30, 2021 and December 31, 2021 reports to the PRF Reporting Portal.

Under terms and conditions of the Provider Relief Funds established by the Coronavirus Aids, Relief, and Economic Security ("CARES") Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services ("HHS"). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue within certain reporting timetables based on the date that funds were received. The 2021 Schedule includes PRF of \$8,073,130 which was received by the Hospital prior to December 31, 2020, the date designated by HHS for its second PRF reporting period. For the years ended December 30, 2021 and 2020, the Hospital recognized \$3,686,003 and \$6,775,649, respectively, as operating revenue in the statements of operations and changes in net position as the terms and conditions of the PRF grant were satisfied by the Hospital. HHS required PRF amounts related to the first and second reporting periods to be reported in the 2021 Schedule rather than the \$3,686,003 in the 2021 Schedule and \$6,775,649 in the 2020 Schedule. PRF revenues in the 2021 statement of operations and changes in net position that were received after June 30, 2021 are subject to the fourth reporting period and are not required to be included in the 2021 Schedule.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

4. DONATED PERSONAL PROTECTIVE EQUIPMENT

During 2021, the Hospital did not receive material donated personal protective equipment from federal sources.

5. INDIRECT COST RATE

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



An affiliate of



CORRECTIVE ACTION PLAN

October 24, 2022

U.S. Department of Health and Human Services

Harrison County Hospital, In. respectively submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm:

Blue & Co., LLC
2650 Eastpoint Pkwy., Suite 300
Louisville, Kentucky 40223

Audit period: Year ended December 31, 2021.

The findings from the schedule of findings and questioned costs for the year ended December 31, 2021 are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

FINDINGS – FEDERAL AWARD PROGRAM AUDITS

2021-001 Condition: The single audit reporting package was not submitted to the Federal Audit Clearinghouse within nine months after year end as required by the Uniform Guidance resulting in an instance of noncompliance.

Action: Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Charles Wiley, CFO, at (812) 734-3861.

Sincerely,

A handwritten signature in blue ink that reads "Charles Wiley".

Charles Wiley,
CFO