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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa


July 17, 2020

Board of Trustees
Greene County General Hospital
1185 North 1000 West
Linton, IN 47441

We have reviewed the audit report of Greene County General Hospital, which was opined upon by BKD, LLP, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Greene County General Hospital as of December 31, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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


Paul D. Joyce, CPA
State Examiner

Greene County General Hospital
A Component Unit of Greene County, Indiana

Independent Auditor's Report and Financial Statements
December 31, 2019 and 2018

Greene County General Hospital
A Component Unit of Greene County, Indiana
December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Greene County General Hospital
Linton, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greene County General Hospital as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The combining schedule information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining schedule information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued our report dated June 9, 2020, 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.

BKD, LLP

Indianapolis, Indiana
June 9, 2020

Greene County General Hospital
A Component Unit of Greene County, Indiana
Management's Discussion and Analysis
December 31, 2019 and 2018

Introduction

This management's discussion and analysis of the financial performance of Greene County General Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments decreased in 2019 by \$1,096,267 or 13.5% compared to an increase of \$343,829 or 4.4% in 2018.
- The Hospital's net position decreased in 2019 by \$634,921 or 7.7% compared to an increase of \$193,214 or 2.4% in 2018.
- The Hospital reported an operating loss in 2019 of \$513,339. The operating loss reported in 2019 represents a decline of \$1,411,186 or 157.2% compared to operating income reported in 2018 of \$897,847.
- Net nonoperating expenses for 2019 were \$121,582, which represented an improvement of \$583,051 or 82.7% compared to net nonoperating expenses of \$704,633 in 2018.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is equal to its assets, less liabilities reported in the balance sheets. The Hospital's net position decreased by \$634,921 or 7.7% in 2019 over 2018 compared to an increase in net position of \$193,214 or 2.4% in 2018 over 2017 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

| | 2019 | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|
| Assets | | | |
| Patient accounts receivable, net | \$ 9,486,007 | \$ 7,670,690 | \$ 6,884,709 |
| Other current assets | 8,916,900 | 8,796,492 | 9,594,042 |
| Capital assets, net | 10,110,117 | 9,859,341 | 9,858,185 |
| Other noncurrent assets | <u>1,029,583</u> | <u>1,003,473</u> | <u>1,056,322</u> |
| Total assets | <u>\$ 29,542,607</u> | <u>\$ 27,329,996</u> | <u>\$ 27,393,258</u> |
| Liabilities | | | |
| Long-term debt | \$ 8,067,032 | \$ 8,411,410 | \$ 8,163,254 |
| Other current and noncurrent liabilities | <u>13,859,940</u> | <u>10,668,030</u> | <u>11,172,662</u> |
| Total liabilities | <u>21,926,972</u> | <u>19,079,440</u> | <u>19,335,916</u> |
| Net Position | | | |
| Net investment in capital assets | 1,308,141 | 831,939 | 1,199,607 |
| Restricted for debt service | 654,688 | 642,474 | 640,491 |
| Unrestricted | <u>5,652,806</u> | <u>6,776,143</u> | <u>6,217,244</u> |
| Total net position | <u>7,615,635</u> | <u>8,250,556</u> | <u>8,057,342</u> |
| Total liabilities and net position | <u>\$ 29,542,607</u> | <u>\$ 27,329,996</u> | <u>\$ 27,393,258</u> |

At December 31, 2019, the Hospital's reported assets of \$29,542,607 represent a \$2,212,611 or 8.1% increase over 2018. The largest contributing factor was an increase in net patient accounts receivable of \$1,815,317 or 23.7%. Driving the increase were Hospital volumes and operations, including expanded service lines provided during 2019.

The increase in other current and noncurrent liabilities of \$3,191,910 or 30.0% was driven largely by additional borrowings on the Hospital's line of credit. The amount outstanding at December 31, 2019 of \$3,899,495 represents an increase of \$2,536,787 or 186.2% from 2018.

A significant change in the Hospital's assets in 2018 was an increase in net patient accounts receivable of \$785,981 or 11.4%. The increase primarily related to the addition of My Clinic receivables and emergency room physician billings during 2018.

Operating Results and Changes in the Hospital's Net Position

In 2019, the Hospital's decrease in net position was \$634,921 or 7.7% as shown in Table 2. This decrease is made up of several different components including the expansion of services and support of physician clinic operations. The decrease in net position represents a change of \$828,135 or 428.6% from the increase in net position for 2018 of \$193,214. The decrease in net position for 2017 was \$1,436,182.

Table 2: Operating Results and Changes in Net Position

| | 2019 | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|
| Operating Revenues | | | |
| Net patient service revenue | \$ 66,124,199 | \$ 60,628,274 | \$ 54,809,590 |
| Other operating revenue | 4,246,254 | 5,086,267 | 6,496,444 |
| Total operating revenue | <u>70,370,453</u> | <u>65,714,541</u> | <u>61,306,034</u> |
| Operating Expenses | | | |
| Salaries and wages and employee benefits | 24,333,883 | 21,904,854 | 19,433,531 |
| Purchased services and professional fees | 27,066,824 | 24,141,075 | 22,409,036 |
| Depreciation and amortization | 1,117,843 | 1,114,869 | 1,118,433 |
| Other operating expenses | 18,365,242 | 17,655,896 | 17,161,649 |
| Total operating expenses | <u>70,883,792</u> | <u>64,816,694</u> | <u>60,122,649</u> |
| Operating Income (Loss) | <u>(513,339)</u> | <u>897,847</u> | <u>1,183,385</u> |
| Nonoperating Revenues (Expenses) | | | |
| Investment income | 87,189 | 7,024 | 43,546 |
| Interest expense | (388,409) | (362,320) | (346,367) |
| Noncapital grants and contributions | 154,495 | 34,394 | 36,054 |
| Impairment loss - note receivable | - | (729,535) | (2,884,516) |
| Other | 25,143 | 345,804 | 445,661 |
| Total nonoperating expense | <u>(121,582)</u> | <u>(704,633)</u> | <u>(2,705,622)</u> |
| Excess (Deficiency) of Revenues Over Expenses Before Capital Grants, Contributions and Transfers | (634,921) | 193,214 | (1,522,237) |
| Capital Grants, Contributions and Transfers | <u>-</u> | <u>-</u> | <u>86,055</u> |
| Increase (Decrease) in Net Position | (634,921) | 193,214 | (1,436,182) |
| Net Position, Beginning of Year | <u>8,250,556</u> | <u>8,057,342</u> | <u>9,493,524</u> |
| Net Position, End of Year | <u>\$ 7,615,635</u> | <u>\$ 8,250,556</u> | <u>\$ 8,057,342</u> |

Operating Income

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

The operating loss was \$513,339 for 2019 compared to operating income of \$897,847 for 2018, which equates to a decrease of \$1,411,186 or 157.2%. Operating income was \$897,847 for 2018 compared to operating income of \$1,183,385 for 2017, which equates to a decrease of \$285,538 or 24.1%. The primary components of the change in operating income are:

- Net patient service revenue was \$66,124,199 in 2019 compared to \$60,628,274 in 2018, which is an increase of \$5,495,925 or 9.1%. Net patient service revenue in 2018 represented an increase of \$5,818,684 or 10.6% compared to 2017.
- Salaries and wages and employee benefits were \$24,333,883 for 2019 compared to \$21,904,854 in 2018, which is an increase of \$2,429,029 or 11.1%. Salaries and wages and employee benefits in 2018 represented an increase of \$2,471,323 or 12.7% compared to 2017.
- Purchased services and professional fees were \$27,066,824 for 2019 compared to \$24,141,075 in 2018, which is an increase of \$2,925,749 or 12.1%. Purchased services and professional fees in 2018 represented an increase of \$1,732,039 or 7.7% compared to 2017.

The increase in net patient service revenue in 2019 was driven by the inclusion of a full year of operations of the provider clinics and employed emergency room physicians. These activities coupled with the expanded service lines provided by the Hospital and the new skilled nursing facility operated during 2019 resulted in increases to net patient service revenue, salaries and wages and employee benefits and purchased services and professional fees.

The increase in net patient service revenue in 2018 was the result of an emphasis on coding and billing practices within the emergency room and the addition of the primary care clinics during the year. The increase in salaries and wages and employee benefits during 2018 is a result of the direct employment of emergency room physicians during 2018, as well as the additional employees used within the primary care clinics. The increase in purchased services and professional fees is attributable to nursing home operations.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense, noncapital grants and contributions and impairment charges related to outstanding notes receivable. The Hospital recognized interest expense in 2019 of \$388,409, which was an increase of \$26,089 from \$362,320 in 2018. The Hospital's outstanding note receivable with Greene County Health, Inc. was fully reserved at December 31, 2018 with no new advances or additional impairment during 2019. The recorded impairment loss of \$729,535 in 2018 represented a decrease of \$2,154,981 or 74.7% compared to the impairment loss of \$2,884,516 recorded in 2017.

The Hospital's Cash Flows

The Hospital's cash flows from operating activities decreased by \$3,906,675 or 195.6% from \$1,997,395 provided by in 2018 to \$1,909,280 used in during 2019. In 2018, the Hospital's cash flows from operating activities decreased by \$1,969,703 or 49.7% from \$3,967,098 in 2017. Cash flows provided by noncapital financing activities were \$2,691,282, representing an increase of \$2,962,615 from the cash flows used in 2018 of \$271,333. The increase is primarily the result of additional borrowing activity on the Hospital's line of credit during 2019.

The Hospital had cash flows provided by investing activities totaling \$617,792, which is an increase of \$824,249 from cash flows used in investing activities in 2018 of \$206,457. This change was primarily the result of decreases of advances made to a related party under a loan agreement to fund working capital. Remaining changes in the Hospital's cash flows are consistent with the financing of capital improvements during the year.

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Hospital had \$10,110,117 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2019, the Hospital acquired new equipment costing \$1,371,054 through purchases or acquisitions by capital lease, compared to \$1,455,009 during 2018.

Debt

At December 31, 2019, the Hospital had \$8,801,976 in revenue bonds, notes payable to banks and capital lease obligations outstanding as compared to \$9,027,402 at December 31, 2018. Borrowings during the year under notes payable or capital lease obligations totaled \$477,869 in 2019 compared to \$859,621 in 2018.

At December 31, 2019, the Hospital had outstanding balances under its line of credit agreement totaling \$3,899,495, compared to \$1,362,708 at December 31, 2018, representing an increase of \$2,536,787 or 186.2%.

Other Economic Factors

Management believes the health care industry's and Hospital's operating results will continue to be under pressure due to changes in payor mix and growth in operating expenses. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a competitive environment, and to attain reasonable rates for services provided while managing costs.

Additionally, uncertainty and business disruption surrounding the outbreak of COVID-19 in 2020 will impact the operations of the Hospital. The economic impact, contingent on the overall impact of the outbreak, may negatively impact the Hospital's payor and service mix and overall operating expenses.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Business Administration by telephoning (812) 847-2281.

Greene County General Hospital
A Component Unit of Greene County, Indiana
Balance Sheets
December 31, 2019 and 2018

Assets

| | 2019 | 2018 |
|--|---------------|---------------|
| Current Assets | | |
| Cash | \$ 4,857,439 | \$ 5,448,246 |
| Short-term investments | 1,199,537 | 1,770,720 |
| Patient accounts receivable, net of allowance: 2019 - \$2,628,794, 2018 - \$2,614,041 | 9,486,007 | 7,670,690 |
| Other receivables | 1,198,053 | 867,399 |
| Estimated third-party settlements | 999,243 | - |
| Supplies | 352,614 | 371,865 |
| Prepaid expenses and other | 310,014 | 338,262 |
| Total current assets | 18,402,907 | 16,467,182 |
| Noncurrent Cash and Investments | | |
| Internally designated | 326,410 | 272,901 |
| Held by trustee for debt service | 654,688 | 642,474 |
| Total noncurrent cash and investments | 981,098 | 915,375 |
| Capital Assets, net | 10,110,117 | 9,859,341 |
| Other Assets | 48,485 | 88,098 |
| Total assets | \$ 29,542,607 | \$ 27,329,996 |

Liabilities and Net Position

| | | |
|---------------------------------------|---------------|---------------|
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 734,944 | \$ 615,992 |
| Line of credit | 3,899,495 | 1,362,708 |
| Accounts payable and accrued expenses | 8,580,559 | 7,766,544 |
| Estimated third-party settlements | 644,942 | 922,786 |
| Total current liabilities | 13,859,940 | 10,668,030 |
| Long-Term Debt | | |
| Total liabilities | 8,067,032 | 8,411,410 |
| Net Position | | |
| Net investment in capital assets | 1,308,141 | 831,939 |
| Restricted for debt service | 654,688 | 642,474 |
| Unrestricted | 5,652,806 | 6,776,143 |
| Total net position | 7,615,635 | 8,250,556 |
| Total liabilities and net position | \$ 29,542,607 | \$ 27,329,996 |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|---------------|---------------|
| Operating Revenues | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$7,750,610, 2018 - \$7,632,338 | \$ 66,124,199 | \$ 60,628,274 |
| Other | 4,246,254 | 5,086,267 |
| Total operating revenues | 70,370,453 | 65,714,541 |
| Operating Expenses | | |
| Salaries and wages | 19,925,139 | 18,289,411 |
| Employee benefits | 4,408,744 | 3,615,443 |
| Purchased services and professional fees | 27,066,824 | 24,141,075 |
| Supplies and other | 16,915,410 | 16,391,762 |
| Depreciation and amortization | 1,117,843 | 1,114,869 |
| Bad debt expense - non-patient | - | 179,389 |
| Provider hospital assessment fee | 1,449,832 | 1,084,745 |
| Total operating expenses | 70,883,792 | 64,816,694 |
| Operating Income (Loss) | (513,339) | 897,847 |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 87,189 | 7,024 |
| Interest expense | (388,409) | (362,320) |
| Noncapital grants and contributions | 154,495 | 34,394 |
| Impairment loss - note receivable | - | (729,535) |
| Other | 25,143 | 345,804 |
| Total nonoperating expense | (121,582) | (704,633) |
| Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Position | (634,921) | 193,214 |
| Net Position, Beginning of Year | 8,250,556 | 8,057,342 |
| Net Position, End of Year | \$ 7,615,635 | \$ 8,250,556 |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Operating Activities | | |
| Receipts from and on behalf of patients | \$ 64,955,069 | \$ 63,256,712 |
| Payments to suppliers and contractors | (43,178,741) | (41,259,319) |
| Payments to employees | (24,299,639) | (21,522,177) |
| Other payments | 614,031 | 1,522,179 |
| Net cash provided by (used in) operating activities | <u>(1,909,280)</u> | <u>1,997,395</u> |
| Noncapital Financing Activities | | |
| Borrowings on line of credit | 3,899,495 | 1,662,708 |
| Repayments on line of credit | (1,362,708) | (1,968,435) |
| Noncapital grants, contributions and transfers | 154,495 | 34,394 |
| Net cash provided by (used in) noncapital financing activities | <u>2,691,282</u> | <u>(271,333)</u> |
| Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (1,140,483) | (1,196,763) |
| Proceeds from disposal of capital assets | - | 328,505 |
| Proceeds from insurance settlement, net of amounts paid | - | 187,935 |
| Proceeds from issuance of long-term debt | 247,298 | 601,375 |
| Principal paid on long-term debt | (465,176) | (402,232) |
| Principal paid on capital leases | (238,119) | (88,565) |
| Interest paid on long-term debt and capital leases | (394,121) | (362,320) |
| Net cash used in capital and related financing activities | <u>(1,990,601)</u> | <u>(932,065)</u> |
| Investing Activities | | |
| Interest and dividends on investments | 33,680 | 22,244 |
| Proceeds from disposition of investments | 590,570 | 250,000 |
| Purchases of investments | (31,601) | (21,509) |
| Advances under note receivable agreement | - | (729,535) |
| Other investing activities | 25,143 | 272,343 |
| Net cash provided by (used in) investing activities | <u>617,792</u> | <u>(206,457)</u> |
| Increase (Decrease) in Cash | (590,807) | 587,540 |
| Cash, Beginning of Year | <u>5,448,246</u> | <u>4,860,706</u> |
| Cash, End of Year | <u>\$ 4,857,439</u> | <u>\$ 5,448,246</u> |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|-----------------------|---------------------|
| Reconciliation of Operating Income (Loss) to | | |
| Net Cash Provided by (Used in) Operating Activities | | |
| Operating income (loss) | \$ (513,339) | \$ 897,847 |
| Depreciation and amortization | 1,117,843 | 1,114,869 |
| Provision for uncollectible accounts - patient | 7,750,610 | 7,632,338 |
| Provision for uncollectible accounts - non-patient | - | 179,389 |
| Loss from disposal of capital assets | 2,435 | 10,479 |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (9,565,927) | (8,418,319) |
| Estimated amounts due to/from third-party payers | (1,277,087) | 324,551 |
| Accounts payable and accrued expenses | 819,727 | (442,359) |
| Supplies and other assets | (243,542) | 698,600 |
| | \$ (1,909,280) | \$ 1,997,395 |
| Supplemental Cash Flow Information | | |
| Capital assets acquired through capital lease | \$ 230,571 | \$ 258,246 |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Notes to the Financial Statements
December 31, 2019 and 2018

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

Nature of Operations and Reporting Entity

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

The Hospital operates long-term facilities (LTC) through various lease arrangements. These facilities provide inpatient and therapy services in their geographic area and supports the Hospital's mission to provide quality services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are recognized by the Hospital and the Hospital is responsible for associated operating expenses and working capital requirements.

In accordance with Governmental Auditing Standards Board (GASB) Statement No. 61, the financial statements include the financial statements of the Greene County Home Healthcare Agency, LLC (HHC), Greene County General Hospital, LLC (LLC), and Greene County General Hospital Foundation, Inc. (Foundation). The HHC and LLC focused on specialized care and physician staffing. The operations of both the HHC and LLC ceased during 2018. All employees of HHC and LLC were terminated or employed by the Hospital as of December 31, 2018. A voluntary dissolution of the LLC was executed in 2019 with plans to complete full liquidation in the normal course of business. The Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital. These entities are reported as blended component units.

Separate financial statements for each blended component unit are available by contacting their respective management teams at:

Foundation - 409 NE A Street, Linton, IN 47441
HHC - 1185 North County Rd 1000 W, Linton, IN 47441
LLC - 1185 North County Rd 1000 W, Linton, IN 47441

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments available for use in operations with original maturities of three months or less to be cash equivalents. Highly liquid investments with original maturities of three months or less which are designated as short-term investments under the Hospital's investment policy are excluded from cash equivalents. At December 31, 2019 and 2018, the Hospital had no highly liquid investments considered cash equivalents.

Risk Management

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

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

Investments and Investment Income

Investments in money market accounts and equity mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in government obligations funds are carried at their net asset value, which approximates fair value.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

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Notes Receivable

Notes receivable are stated at their outstanding principal amounts, net of allowance for uncollectible notes. The Hospital provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

Supplies

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

Capital Assets

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

| | |
|----------------------------|---------------|
| Land improvements | 10 - 25 years |
| Buildings and improvements | 5 - 40 years |
| Equipment | 5 - 20 years |

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Compensated Absences

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

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Net Position

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

Net Patient Service Revenue

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

Charity Care

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

Operating Activities

The Hospital defines operating activities, as reported in the statements of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the Hospital's expenses are from exchange transactions. Certain revenues relied upon for operations, such as noncapital grants and contributions and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

Income Taxes

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

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

HHC and LLC are not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to their members in accordance with their respective ownership percentages.

Future Accounting Standards

In fiscal year 2020, the Hospital will implement GASB Statement No. 84, *Fiduciary Activities*. The statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Hospital has not determined the impact of this new standard on its financial statements; however, it could have a material future impact.

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

Note 2: Net Patient Service Revenue

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

Medicare

The Hospital is designated by Medicare as a critical access hospital (CAH). Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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

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Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

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

Approximately 67% and 64% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1.2 million within net patient service revenue related to this supplemental payment program for each of the years ended December 31, 2019 and 2018. Amounts outstanding at December 31, 2019 totaled \$599,000 and are accrued as a receivable in estimated third-party settlements. Net unearned revenue at December 31, 2018 related to advance funding of payments total \$120,000 and are included in estimated third-party settlements. These amounts represent management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$1,450,000 and \$1,085,000 of assessed fees related to this Medicaid program in 2019 and 2018, respectively, which is recorded as an operating expense in the statements of revenues, expenses and changes in net position. Approximately \$645,000 outstanding and due from the Hospital under the assessment fee program was recorded within estimated third-party settlements at December 31, 2019. Amounts outstanding under the assessment fee program at December 31, 2018 were not significant.

The Hospital's Medicaid Inpatient Utilization Rate (MIUR) exceeded state-wide thresholds, as defined by state regulation, during the most recent measurement period. A benefit of having a MIUR exceeding this threshold includes a 25% reduction in the provider assessment fee. The provider assessment fee program is subject to further rate setting by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital, including the 25% benefit through December 31, 2019.

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The state measures MIUR percentages no less than every four years and no more than every two years. At each measurement period, the state-defined MIUR threshold changes, which could affect the Hospital's eligibility status. Any change in MIUR eligibility would affect the Hospital's ability to receive the 25% provider assessment fee reduction. The State's most recent measurement is for the period ended June 30, 2019. Any change in the amount of tax due as a result of eligibility changes will be recorded in the period the state has made its determination.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program. The Hospital recognized approximately \$2.9 million and \$2.3 million related to this supplemental payment program for the years ended December 31, 2019 and 2018, respectively, which is included in other operating revenue in the statements of revenues, expenses and changes in net position. At December 31, 2019 and 2018, \$776,000 and \$475,000, respectively, were accrued and included in other receivables.

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

Note 3: Deposits, Investments and Investment Income

Deposits

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

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

Investments

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

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At December 31, 2019 and 2018, the Hospital's investments consisted of the following investments and maturities:

| December 31, 2019 | | | | | |
|------------------------------|---------------------|---------------------|-------------|-------------|-------------|
| Type | Fair Value | Maturities in Years | | | |
| | | Less | 1-5 | 6-10 | More |
| | | Than 1 | | | |
| Money market accounts | \$ 1,199,537 | \$ 1,199,537 | \$ - | \$ - | \$ - |
| Government obligations funds | 654,688 | 654,688 | - | - | - |
| Equity mutual funds | 326,410 | 326,410 | - | - | - |
| | <u>\$ 2,180,635</u> | <u>\$ 2,180,635</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| December 31, 2018 | | | | | |
|------------------------------|---------------------|---------------------|-------------|-------------|-------------|
| Type | Fair Value | Maturities in Years | | | |
| | | Less | 1-5 | 6-10 | More |
| | | Than 1 | | | |
| Money market accounts | \$ 1,770,720 | \$ 1,770,720 | \$ - | \$ - | \$ - |
| Government obligations funds | 642,474 | 642,474 | - | - | - |
| Equity mutual funds | 272,901 | 272,901 | - | - | - |
| | <u>\$ 2,686,095</u> | <u>\$ 2,686,095</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2019, the Hospital's investments were not rated by Standard & Poor's or by Moody's Investors Service.

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

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer.

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Summary of Carrying Values

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

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| Carrying value: | | |
| Deposits | \$ 4,857,439 | \$ 5,448,246 |
| Investments | <u>2,180,635</u> | <u>2,686,095</u> |
| | <u><u>\$ 7,038,074</u></u> | <u><u>\$ 8,134,341</u></u> |
| Included in the following balance sheet captions: | | |
| Cash | \$ 4,857,439 | \$ 5,448,246 |
| Short-term investments | 1,199,537 | 1,770,720 |
| Noncurrent cash and investments | | |
| Internally designated | 326,410 | 272,901 |
| Held by trustee for debt service | <u>654,688</u> | <u>642,474</u> |
| | <u><u>\$ 7,038,074</u></u> | <u><u>\$ 8,134,341</u></u> |

Investment Income

Investment income for the years ended December 31, 2019 and 2018 consisted of:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|------------------------|
| Interest and dividend income | \$ 33,680 | \$ 22,244 |
| Net increase (decrease) in fair value of investments | <u>53,509</u> | <u>(15,220)</u> |
| | <u><u>\$ 87,189</u></u> | <u><u>\$ 7,024</u></u> |

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Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2019 and 2018 consisted of:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Medicare | \$ 3,523,162 | \$ 2,614,830 |
| Medicaid | 2,178,897 | 1,874,636 |
| Other third-party payors | 3,839,151 | 3,463,713 |
| Patients | 2,573,591 | 2,331,552 |
| | 12,114,801 | 10,284,731 |
| Less allowance for uncollectible accounts | 2,628,794 | 2,614,041 |
| | \$ 9,486,007 | \$ 7,670,690 |

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2019 and 2018 was:

| | 2019 | | | | Ending Balance |
|--------------------------------|--------------------------|-------------------|-------------------|------------------|-----------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land | \$ 651,198 | \$ - | \$ - | \$ - | \$ 651,198 |
| Land improvements | 320,153 | - | - | - | 320,153 |
| Buildings | 8,506,224 | 230,556 | (1,214,078) | - | 7,522,702 |
| Fixed equipment | 3,839,989 | 350,689 | (96,392) | - | 4,094,286 |
| Major movable equipment | 2,498,901 | 789,809 | (244,977) | - | 3,043,733 |
| | 15,816,465 | 1,371,054 | (1,555,447) | - | 15,632,072 |
| Less accumulated depreciation: | | | | | |
| Land improvements | (123,168) | (24,170) | - | - | (147,338) |
| Buildings | (3,415,122) | (383,446) | 1,214,064 | - | (2,584,504) |
| Fixed equipment | (1,456,547) | (271,257) | 95,730 | - | (1,632,074) |
| Major movable equipment | (962,287) | (438,970) | 243,218 | - | (1,158,039) |
| | (5,957,124) | (1,117,843) | 1,553,012 | - | (5,521,955) |
| | \$ 9,859,341 | \$ 253,211 | \$ (2,435) | \$ - | \$ 10,110,117 |

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| | 2018 | | | | Ending Balance |
|--------------------------------|----------------------|--------------------|---------------------|-------------|---------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land | \$ 677,136 | \$ - | \$ (25,938) | \$ - | \$ 651,198 |
| Land improvements | 345,652 | 6,135 | (31,634) | - | 320,153 |
| Buildings | 8,370,616 | 584,704 | (449,096) | - | 8,506,224 |
| Fixed equipment | 3,699,534 | 179,783 | (39,328) | - | 3,839,989 |
| Major movable equipment | 2,552,330 | 684,387 | (737,816) | - | 2,498,901 |
| | <u>15,645,268</u> | <u>1,455,009</u> | <u>(1,283,812)</u> | <u>-</u> | <u>15,816,465</u> |
| Less accumulated depreciation: | | | | | |
| Land improvements | (127,427) | (27,925) | 32,184 | - | (123,168) |
| Buildings | (3,216,334) | (411,987) | 213,199 | - | (3,415,122) |
| Fixed equipment | (1,230,091) | (264,100) | 37,644 | - | (1,456,547) |
| Major movable equipment | (1,213,231) | (410,857) | 661,801 | - | (962,287) |
| | <u>(5,787,083)</u> | <u>(1,114,869)</u> | <u>944,828</u> | <u>-</u> | <u>(5,957,124)</u> |
| | <u>\$ 9,858,185</u> | <u>\$ 340,140</u> | <u>\$ (338,984)</u> | <u>\$ -</u> | <u>\$ 9,859,341</u> |

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance up to coverage limits under the Indiana Malpractice Act (the Act) under a claims-made policy on a fixed premium basis. The Hospital is covered under the Act which limits professional liability for claims prior to July 1, 2017 to a maximum recovery of \$1,250,000 per occurrence, \$250,000 of which would be paid through malpractice insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (the Fund). For claims on or after July 1, 2017, the maximum recovery is \$1,650,000 per occurrence, \$400,000 of which would be paid through malpractice insurance coverage, with the remainder due from the Fund. For claims on or after July 1, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through commercial insurance coverage, with the remainder due from the Fund.

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

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. Commercial stop-loss insurance coverage is purchased for claims in excess of \$75,000 for years ended December 31, 2019 and 2018, with a maximum aggregate annual reimbursement of \$1,000,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

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Activity in the Hospital's accrued employee health claims liability during 2019 and 2018 are summarized as follows:

| | 2019 | 2018 |
|---|-------------|-------------|
| Balance, beginning of year | \$ 412,800 | \$ 805,000 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 2,377,375 | 1,847,890 |
| Claims and expenses paid | (2,504,975) | (2,240,090) |
| Balance, end of year | \$ 285,200 | \$ 412,800 |

Note 8: Long-Term Obligations and Line of Credit

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2019 and 2018:

| | 2019 | | | | |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term debt: | | | | | |
| Revenue bonds payable: | | | | | |
| Lease rental revenue refunding bonds, series 2013 | \$ 7,522,089 | \$ - | \$ (345,123) | \$ 7,176,966 | \$ 355,915 |
| Notes payable to banks: | | | | | |
| Dated February 2017 | 16,716 | - | (3,745) | 12,971 | 5,728 |
| Dated June 2017 | 28,144 | - | (7,518) | 20,626 | 7,780 |
| Dated September 2017 | 20,305 | - | (5,034) | 15,271 | 5,236 |
| Dated December 2017 | 99,749 | - | (19,964) | 79,785 | 26,770 |
| Dated May 2018 | 183,858 | - | (39,993) | 143,865 | 18,630 |
| Dated July 2018 | 393,172 | - | (17,637) | 375,535 | 39,608 |
| Dated June 2019 | - | 247,298 | (26,162) | 221,136 | 46,435 |
| Capital lease obligations | 763,369 | 230,571 | (238,119) | 755,821 | 228,842 |
| Total long-term debt | \$ 9,027,402 | \$ 477,869 | \$ (703,295) | \$ 8,801,976 | \$ 734,944 |

| | 2018 | | | | |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term debt: | | | | | |
| Revenue bonds payable: | | | | | |
| Lease rental revenue refunding bonds, series 2013 | \$ 7,848,917 | \$ - | \$ (326,828) | \$ 7,522,089 | \$ 345,123 |
| Notes payable to banks: | | | | | |
| Dated February 2017 | 21,777 | - | (5,061) | 16,716 | 5,318 |
| Dated June 2017 | 35,388 | - | (7,244) | 28,144 | 7,514 |
| Dated September 2017 | 25,176 | - | (4,871) | 20,305 | 5,056 |
| Dated December 2017 | 133,632 | - | (33,883) | 99,749 | 25,776 |
| Dated May 2018 | - | 201,375 | (17,517) | 183,858 | 37,564 |
| Dated July 2018 | - | 400,000 | (6,828) | 393,172 | 17,637 |
| Capital lease obligations | 593,688 | 258,246 | (88,565) | 763,369 | 172,004 |
| Total long-term debt | \$ 8,658,578 | \$ 859,621 | \$ (490,797) | \$ 9,027,402 | \$ 615,992 |

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Lease Rental Revenue Refunding Bonds, Series 2013

The Lease Rental Revenue Refunding Bonds, Series 2013 consist of bonds payable in the original amount of \$8,945,000 dated December 24, 2013, issued by the Greene County Hospital Association (Association). The Hospital entered into an agreement with the Association where the Hospital would be responsible for 100% of the principal and interest payments on these bonds. The bonds are payable in semiannual installments through August 2034 and bear interest at 0.50% to 4.50%. The bonds are secured by the lease rental payments pledged by the Hospital to be paid from net operating revenues.

The debt service requirements as of December 31, 2019 are as follows:

| Year Ending December 31 | Total to be Paid | Principal | Interest |
|-------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ 638,000 | \$ 355,915 | \$ 282,085 |
| 2021 | 639,000 | 371,140 | 267,860 |
| 2022 | 639,000 | 386,156 | 252,844 |
| 2023 | 641,000 | 403,756 | 237,244 |
| 2024 | 638,000 | 416,864 | 221,136 |
| 2025 - 2029 | 3,198,000 | 2,358,097 | 839,903 |
| 2030 - 2034 | 3,210,000 | 2,885,038 | 324,962 |
| | <u>\$ 9,603,000</u> | <u>\$ 7,176,966</u> | <u>\$ 2,426,034</u> |

Notes Payable to Banks

The notes payable to banks consist of multiple agreements with due dates ranging from January 2022 through June 2024. Principal and interest are payable monthly with interest rates ranging from 3.5% to 7.3%. The notes are secured substantially by all assets of the Hospital. The debt service requirements as of December 31, 2019 are as follows:

| Year Ending December 31 | Total to be Paid | Principal | Interest |
|-------------------------|---------------------|-------------------|-------------------|
| 2020 | \$ 190,884 | \$ 150,187 | \$ 40,697 |
| 2021 | 190,884 | 157,352 | 33,532 |
| 2022 | 180,216 | 153,902 | 26,314 |
| 2023 | 400,586 | 387,637 | 12,949 |
| 2024 | 20,355 | 20,111 | 244 |
| | <u>\$ 982,925</u> | <u>\$ 869,189</u> | <u>\$ 113,736</u> |

The Hospital is also required to comply with certain restrictive covenants including maintaining a historical debt-service coverage ratio of at least 1.1 to 1.0.

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Capital Lease Obligations

The Hospital is obligated under lease for buildings and equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under capital leases including interest at rates of 3.5% to 4.4% together with the present value of the future minimum lease payments at December 31, 2019:

| | |
|--|--------------------------|
| 2020 | \$ 243,744 |
| 2021 | 216,578 |
| 2022 | 137,919 |
| 2023 | 140,409 |
| 2024 | 55,627 |
| 2025 - 2027 | <u>73,815</u> |
| Total minimum lease payments | 868,092 |
| Less Amount representing interest | <u>112,271</u> |
| Present value of future minimum lease payments | <u><u>\$ 755,821</u></u> |

The capital leases are secured by the related assets as collateral. Assets under capital leases at December 31, 2019 and 2018 totaled:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|--------------------------|--------------------------|
| Buildings | \$ 315,000 | \$ 315,000 |
| Major moveable equipment | 959,796 | 729,225 |
| Accumulated depreciation | <u>(459,981)</u> | <u>(306,132)</u> |
| | <u><u>\$ 814,815</u></u> | <u><u>\$ 738,093</u></u> |

Revolving Line of Credit

At December 31, 2019, the Hospital has a \$5.0 million line of credit with a local bank, which matures June 2020. Interest on outstanding draws accrues at the bank's prime rate, which was 4.75% and 5.50% at December 31, 2019 and 2018, respectively. The line of credit is secured by certain assets of the Hospital. At December 31, 2019 and 2018, \$3,899,495 and \$1,362,708, respectively, were drawn against the line of credit. This agreement was amended subsequent to year-end to reduce amounts available to \$4.0 million and extend the maturity to September 2020.

Note 9: Operating Leases

The Hospital and Foundation lease various buildings and equipment under operating leases, which expire in various years through 2030. These leases contain various renewal options and require the entities to pay all property taxes, maintenance utilities and insurance in addition to monthly rental amounts.

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Future minimum lease payments at December 31, 2019 were:

| | |
|-------------------------------|----------------------------|
| 2020 | \$ 474,936 |
| 2021 | 361,460 |
| 2022 | 314,997 |
| 2023 | 284,450 |
| 2024 | 273,165 |
| Thereafter | <u>1,116,236</u> |
| Future minimum lease payments | <u><u>\$ 2,825,244</u></u> |

Rental expense for all operating leases, including short-term rentals and service agreements on leased equipment and excluding leases for nursing home operations included in Note 12, was \$1,065,000 and \$1,080,000 during the years ended December 31, 2019 and 2018, respectively.

Note 10: Pension Plan

The Hospital contributes to a defined-contribution pension plan, as authorized by Indiana Code 16-22-3-11, covering substantially all employees of the Hospital. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Hospital. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll was 5% of an employee's eligible compensation for both 2019 and 2018. Expense related to the employer contributions to the plan was \$659,000 and \$608,000 for 2019 and 2018, respectively.

Note 11: Disclosures About Fair Value of Assets

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

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

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|---------------------|---|--|--|
| December 31, 2019 | | | | |
| Investments by fair value level | | | | |
| Money market accounts | \$ 1,199,537 | \$ 1,199,537 | \$ - | \$ - |
| Equity mutual funds | 326,410 | 326,410 | - | - |
| Total investments measured by fair value level | 1,525,947 | <u>\$ 1,525,947</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at net asset value (NAV) | | | | |
| Government obligations funds | <u>654,688</u> | | | |
| Total investments measured at fair value | <u>\$ 2,180,635</u> | | | |
| December 31, 2018 | | | | |
| Investments by fair value level | | | | |
| Money market accounts | \$ 1,770,720 | \$ 1,770,720 | \$ - | \$ - |
| Equity mutual funds | 272,901 | 272,901 | - | - |
| Total investments measured by fair value level | 2,043,621 | <u>\$ 2,043,621</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at net asset value (NAV) | | | | |
| Government obligations funds | <u>642,474</u> | | | |
| Total investments measured at fair value | <u>\$ 2,686,095</u> | | | |

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 2 or Level 3 assets at December 31, 2019 and 2018.

Note 12: Long-Term Care Operations

The Hospital entered into various agreements to lease the facilities and equipment for the operation of five nursing homes. Along with the lease agreements, the Hospital also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. The agreements included original two year maturities with optional two-year extensions. Currently, with the execution of two-year extensions, agreements terminate at various dates through September 2021. The management and lease agreements include optional termination clauses by either party with 90 days' written notice.

The lease agreements call for monthly base rent payments during the initial term. Rental payments will increase by 1% during the extension period if not negotiated between the parties. Rental expense for 2019 and 2018 approximated \$1,912,000 and \$1,940,000, respectively. Future minimum rent payments under the current expiration dates at December 31, 2019 are as follows:

| | |
|-------------------------------|----------------------------|
| 2020 | \$ 1,724,600 |
| 2021 | <u>324,525</u> |
| Future minimum lease payments | <u><u>\$ 2,049,125</u></u> |

The management agreements include management fees consisting of base management fees, subordinate management fees and incentive management fees. These amounts are based on the net patient service revenue of the individual facilities. Subordinate and incentive management fees are to be paid only if sufficient working capital exists as outlined in the agreements. The agreements also call for annual quality and monthly intangible licensing fees to be paid. Management and other fees for 2019 and 2018 approximated \$1,297,000 and \$218,000, respectively, and includes fee forgiveness amounts provided by the managers based on available working capital to satisfy fees.

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Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, the Hospital has entered into agreements with Managers to loan amounts for working capital needs in the form of revolving notes. Interest accrues on outstanding amounts at nominal rates. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$6.0 million and \$5.3 million at December 31, 2019 and 2018, respectively, reflect amounts due to the Managers and their vendors.

Note 13: Agreements With Greene County Health, Inc.

Effective June 1, 2016, the Hospital transitioned operations of its primary care clinics from the LLC to Greene County Health, Inc. (INC) in an effort to pursue Federally Qualified Health Center (FQHC) status. As part of the transfer operations, certain employees of the LLC were terminated and hired directly by INC. The Hospital and its blended component units entered into various agreements with INC, including a staff lease agreement, various facility and equipment lease agreements, and a support funding agreement. LLC recognized revenue approximating \$1,322,000 under the staff lease agreement in 2018. Revenue is included in other operating revenue in the statements of revenues, expenses and changes in net position. The Foundation recognized revenue approximating \$155,000 under the facility and equipment lease agreements in 2018, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

On June 5, 2018, the Hospital and INC entered into a memorandum of agreement to terminate existing arrangements between the entities. The memorandum called for termination of all lease and sublease arrangements, the staff lease agreement and other support services agreements effective June 15, 2018. The Support Funding Agreement and Loan Agreement described below between the Hospital and INC is to remain in full force without modification. With the termination, the Hospital assumed operations of four clinics, while certain providers were released from employment by LLC to become employed by INC. Remaining employees of LLC transferred their employment to the Hospital. Upon termination, the majority of equipment, furniture and supplies at the assumed clinics reverted to the Hospital.

Amounts due from INC under this staff lease agreement approximating \$961,000 were fully reserved at December 31, 2019 and 2018, based on an assessment of collectability by Hospital management.

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Support Funding and Loan Agreement

Effective February 2016, the Hospital entered into a support funding agreement to fund working capital shortfalls of INC as it pursued FQHC status. Funding was made at the Hospital's discretion through a loan agreement. In June 2017, the Hospital agreed to forgive \$250,000 and delay repayment of the loan. The loan was amended in September 2017 requiring monthly installments over a 10 year period beginning October 1, 2018 with final maturity on September 28, 2028. The amended agreement allows maximum borrowings of \$3,200,000 and provides the Hospital a security interest in substantially all assets of INC. The Hospital subsequently agreed to fund amounts beyond the maximum borrowing limit within the agreement. The interest rate was amended and fixed at 5.25% through maturity.

Total advances and accrued interest under the support and loan agreement were \$4,614,051 as of December 31, 2019 and 2018. In February 2018, the Hospital issued a formal notice of default and demand for payment. No scheduled repayments under the agreement have occurred and the Hospital has deemed the entire balance of the support and loan agreement to be uncollectible at December 31, 2019 and 2018. During 2019, the Hospital stopped accruing interest given the likelihood of collection.

Note 14: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2019 and 2018:

| | December 31, 2019 | | | | | |
|------------------------------------|----------------------|------------------|------------------|-------------------|-----------------------|----------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Assets | | | | | | |
| Current assets | \$ 19,590,166 | \$ 51,727 | \$ 31,295 | \$ 50,273 | \$ (1,320,554) | \$ 18,402,907 |
| Capital assets, net | 9,811,771 | - | - | 298,346 | - | 10,110,117 |
| Other assets | 1,029,583 | - | - | - | - | 1,029,583 |
| Total assets | <u>\$ 30,431,520</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 348,619</u> | <u>\$ (1,320,554)</u> | <u>\$ 29,542,607</u> |
| Liabilities | | | | | | |
| Current liabilities | \$ 15,158,807 | \$ - | \$ - | \$ 21,687 | \$ (1,320,554) | \$ 13,859,940 |
| Noncurrent liabilities | 8,067,032 | - | - | - | - | 8,067,032 |
| Total liabilities | <u>23,225,839</u> | <u>-</u> | <u>-</u> | <u>21,687</u> | <u>(1,320,554)</u> | <u>21,926,972</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 1,009,795 | - | - | 298,346 | - | 1,308,141 |
| Restricted for debt service | 654,688 | - | - | - | - | 654,688 |
| Unrestricted net position | 5,541,198 | 51,727 | 31,295 | 28,586 | - | 5,652,806 |
| Total net position | <u>7,205,681</u> | <u>51,727</u> | <u>31,295</u> | <u>326,932</u> | <u>-</u> | <u>7,615,635</u> |
| Total liabilities and net position | <u>\$ 30,431,520</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 348,619</u> | <u>\$ (1,320,554)</u> | <u>\$ 29,542,607</u> |

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| | December 31, 2018 | | | | | |
|------------------------------------|----------------------|------------------|------------------|-------------------|-----------------------|----------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Assets | | | | | | |
| Current assets | \$ 17,652,970 | \$ 37,433 | \$ 48,661 | \$ 90,826 | \$ (1,362,708) | \$ 16,467,182 |
| Capital assets, net | 9,547,271 | - | - | 312,070 | - | 9,859,341 |
| Other assets | 1,003,473 | - | - | - | - | 1,003,473 |
| Total assets | <u>\$ 28,203,714</u> | <u>\$ 37,433</u> | <u>\$ 48,661</u> | <u>\$ 402,896</u> | <u>\$ (1,362,708)</u> | <u>\$ 27,329,996</u> |
| Liabilities | | | | | | |
| Current liabilities | \$ 12,000,185 | \$ - | \$ 6,289 | \$ 24,264 | \$ (1,362,708) | \$ 10,668,030 |
| Noncurrent liabilities | 8,411,410 | - | - | - | - | 8,411,410 |
| Total liabilities | <u>20,411,595</u> | <u>-</u> | <u>6,289</u> | <u>24,264</u> | <u>(1,362,708)</u> | <u>19,079,440</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 519,869 | - | - | 312,070 | - | 831,939 |
| Restricted for debt service | 642,474 | - | - | - | - | 642,474 |
| Unrestricted net position | 6,629,776 | 37,433 | 42,372 | 66,562 | - | 6,776,143 |
| Total net position | <u>7,792,119</u> | <u>37,433</u> | <u>42,372</u> | <u>378,632</u> | <u>-</u> | <u>8,250,556</u> |
| Total liabilities and net position | <u>\$ 28,203,714</u> | <u>\$ 37,433</u> | <u>\$ 48,661</u> | <u>\$ 402,896</u> | <u>\$ (1,362,708)</u> | <u>\$ 27,329,996</u> |

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended December 31, 2019 and 2018.

| | Year Ended December 31, 2019 | | | | | |
|--|------------------------------|------------------|------------------|-------------------|--------------|---------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Operating Revenues | | | | | | |
| Net patient service revenue | \$ 66,118,019 | \$ - | \$ 6,180 | \$ - | \$ - | \$ 66,124,199 |
| Other | 4,228,402 | 16,779 | 304 | 769 | - | 4,246,254 |
| Total operating revenues | <u>70,346,421</u> | <u>16,779</u> | <u>6,484</u> | <u>769</u> | <u>-</u> | <u>70,370,453</u> |
| Operating Expenses | <u>70,660,189</u> | <u>3,288</u> | <u>17,911</u> | <u>202,404</u> | <u>-</u> | <u>70,883,792</u> |
| Operating Income (Loss) | (313,768) | 13,491 | (11,427) | (201,635) | - | (513,339) |
| Nonoperating Expense | (195,264) | - | - | 73,682 | - | (121,582) |
| Transfers | (77,406) | 803 | 350 | 76,253 | - | - |
| Increase (Decrease) in Net Position | (586,438) | 14,294 | (11,077) | (51,700) | - | (634,921) |
| Net Position, Beginning of Year | <u>7,792,119</u> | <u>37,433</u> | <u>42,372</u> | <u>378,632</u> | <u>-</u> | <u>8,250,556</u> |
| Net Position, End of Year | <u>\$ 7,205,681</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 326,932</u> | <u>\$ -</u> | <u>\$ 7,615,635</u> |

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| | Year Ended December 31, 2018 | | | | | |
|--|------------------------------|------------------|------------------|-------------------|--------------|---------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Operating Revenues | | | | | | |
| Net patient service revenue | \$ 59,850,971 | \$ - | \$ 777,303 | \$ - | \$ - | \$ 60,628,274 |
| Other | 3,541,627 | 1,389,191 | 106 | 155,343 | - | 5,086,267 |
| Total operating revenues | <u>63,392,598</u> | <u>1,389,191</u> | <u>777,409</u> | <u>155,343</u> | <u>-</u> | <u>65,714,541</u> |
| Operating Expenses | <u>61,932,546</u> | <u>1,480,805</u> | <u>1,032,018</u> | <u>371,325</u> | <u>-</u> | <u>64,816,694</u> |
| Operating Income (Loss) | 1,460,052 | (91,614) | (254,609) | (215,982) | - | 897,847 |
| Nonoperating Expense | (778,318) | - | - | 73,685 | - | (704,633) |
| Transfers | <u>(256,682)</u> | <u>300,343</u> | <u>156,026</u> | <u>(199,687)</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Position | 425,052 | 208,729 | (98,583) | (341,984) | - | 193,214 |
| Net Position, Beginning of Year | <u>7,367,067</u> | <u>(171,296)</u> | <u>140,955</u> | <u>720,616</u> | <u>-</u> | <u>8,057,342</u> |
| Net Position, End of Year | <u>\$ 7,792,119</u> | <u>\$ 37,433</u> | <u>\$ 42,372</u> | <u>\$ 378,632</u> | <u>\$ -</u> | <u>\$ 8,250,556</u> |

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended December 31, 2019 and 2018.

| | Year Ended December 31, 2019 | | | | | |
|---|------------------------------|------------------|------------------|------------------|--------------|---------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Operating Activities | \$ (1,826,505) | \$ 26,343 | \$ (14,319) | \$ (94,799) | \$ - | \$ (1,909,280) |
| Noncapital Financing Activities | 2,613,876 | 803 | 350 | 76,253 | - | 2,691,282 |
| Capital and Related Financing | (1,985,599) | - | - | (5,002) | - | (1,990,601) |
| Investing Activities | <u>617,792</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>617,792</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (580,436) | 27,146 | (13,969) | (23,548) | - | (590,807) |
| Cash and Cash Equivalents, Beginning of Year | <u>5,332,578</u> | <u>3,475</u> | <u>45,264</u> | <u>66,929</u> | <u>-</u> | <u>5,448,246</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,752,142</u> | <u>\$ 30,621</u> | <u>\$ 31,295</u> | <u>\$ 43,381</u> | <u>\$ -</u> | <u>\$ 4,857,439</u> |

| | Year Ended December 31, 2018 | | | | | |
|---|------------------------------|-----------------|------------------|------------------|--------------|---------------------|
| | Hospital | LLC | HHC | Foundation | Eliminations | Total |
| Operating Activities | \$ 2,616,562 | \$ (336,168) | \$ (226,259) | \$ (56,740) | \$ - | \$ 1,997,395 |
| Noncapital Financing Activities | (590,416) | 300,343 | 156,026 | (137,286) | - | (271,333) |
| Capital and Related Financing | (1,148,685) | - | 1,620 | 215,000 | - | (932,065) |
| Investing Activities | <u>(206,457)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(206,457)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 671,004 | (35,825) | (68,613) | 20,974 | - | 587,540 |
| Cash and Cash Equivalents, Beginning of Year | <u>4,661,574</u> | <u>39,300</u> | <u>113,877</u> | <u>45,955</u> | <u>-</u> | <u>4,860,706</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,332,578</u> | <u>\$ 3,475</u> | <u>\$ 45,264</u> | <u>\$ 66,929</u> | <u>\$ -</u> | <u>\$ 5,448,246</u> |

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Note 15: Commitments and Contingencies

Litigation

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

Medicare Compliance

As a Medicare participating provider, the Hospital routinely assesses its compliance with a comprehensive framework of state and federal regulatory requirements. On October 10, 2014, the Hospital self-disclosed a regulatory compliance matter to the Center for Medicare and Medicaid Services (CMS) of the U.S. Department of Health and Human Services that involved technical compliance with certain requirements related to a limited number of physician financial relationships. These technical errors were discovered by Hospital administration during a review of its physician financial arrangements. This matter is still pending and the Hospital has not entered into any settlement discussions with CMS, therefore, the Hospital believes it is too early to determine a likely outcome or a likely amount of damages that CMS may assess against the Hospital.

Note 16: Subsequent Events

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced. Subsequent to year-end, the worldwide spread of COVID-19 began to cause some business disruption throughout the United States as local governments implemented orders to reduce non-essential business operations and advised citizens to shelter-in place. The Hospital has continued to operate as an essential healthcare provider and experienced declines in volumes related to elective procedure cancellations and lower physician office visits.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the magnitude and duration. The Hospital expects this matter to negatively impact its financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In 2020, the Hospital received approximately \$6.6 million in funding through the Public Health and Social Services Emergency Fund as authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was made available to prevent, prepare for and respond to the coronavirus and reimburse providers for eligible expenses and lost revenues. Similarly, the Hospital applied for and received a loan totaling \$3.8 million under the Small Business Administration Paycheck Protection Program authorized in the CARES Act.

Other Information

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Combining Balance Sheet Information
December 31, 2019

| | 2019 | | | | | | Total |
|--|----------------------|---------------------|------------------|------------------|-------------------|-----------------------|----------------------|
| | Nursing | | LLC | Hospital | | | |
| | Hospital | Homes | | Home Health | Foundation | Eliminations | |
| Assets | | | | | | | |
| Current Assets | | | | | | | |
| Cash | \$ 558,764 | \$ 4,193,378 | \$ 30,621 | \$ 31,295 | \$ 43,381 | \$ - | \$ 4,857,439 |
| Short-term investments | 1,199,537 | - | - | - | - | - | 1,199,537 |
| Patient accounts receivable, net of allowance of \$2,628,794 | 7,019,382 | 2,466,625 | - | - | - | - | 9,486,007 |
| Other receivables | 1,717,421 | 776,188 | 21,106 | - | 3,892 | (1,320,554) | 1,198,053 |
| Estimated third-party settlements | 999,243 | - | - | - | - | - | 999,243 |
| Supplies | 323,978 | 28,636 | - | - | - | - | 352,614 |
| Prepaid expenses and other assets | 230,201 | 76,813 | - | - | 3,000 | - | 310,014 |
| Total current assets | <u>12,048,526</u> | <u>7,541,640</u> | <u>51,727</u> | <u>31,295</u> | <u>50,273</u> | <u>(1,320,554)</u> | <u>18,402,907</u> |
| Noncurrent Cash and Investments | | | | | | | |
| Internally designated | 326,410 | - | - | - | - | - | 326,410 |
| Held by trustee for debt service | 654,688 | - | - | - | - | - | 654,688 |
| Total noncurrent cash and investments | <u>981,098</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>981,098</u> |
| Capital Assets, net | <u>9,811,771</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>298,346</u> | <u>-</u> | <u>10,110,117</u> |
| Other Assets | <u>48,485</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>48,485</u> |
| Total assets | <u>\$ 22,889,880</u> | <u>\$ 7,541,640</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 348,619</u> | <u>\$ (1,320,554)</u> | <u>\$ 29,542,607</u> |
| Liabilities and Net Position | | | | | | | |
| Current Liabilities | | | | | | | |
| Current maturities of long-term debt | \$ 734,944 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 734,944 |
| Line of credit | 3,899,495 | - | - | - | - | - | 3,899,495 |
| Accounts payable and accrued expenses | 3,860,168 | 6,019,258 | - | - | 21,687 | (1,320,554) | 8,580,559 |
| Estimated third-party settlements | 644,942 | - | - | - | - | - | 644,942 |
| Total current liabilities | <u>9,139,549</u> | <u>6,019,258</u> | <u>-</u> | <u>-</u> | <u>21,687</u> | <u>(1,320,554)</u> | <u>13,859,940</u> |
| Long-Term Debt | <u>8,067,032</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,067,032</u> |
| Total liabilities | <u>17,206,581</u> | <u>6,019,258</u> | <u>-</u> | <u>-</u> | <u>21,687</u> | <u>(1,320,554)</u> | <u>21,926,972</u> |
| Net Position | | | | | | | |
| Net investment in capital assets | 1,009,795 | - | - | - | 298,346 | - | 1,308,141 |
| Restricted for debt service | 654,688 | - | - | - | - | - | 654,688 |
| Unrestricted | 4,018,816 | 1,522,382 | 51,727 | 31,295 | 28,586 | - | 5,652,806 |
| Total net position | <u>5,683,299</u> | <u>1,522,382</u> | <u>51,727</u> | <u>31,295</u> | <u>326,932</u> | <u>-</u> | <u>7,615,635</u> |
| Total liabilities and net position | <u>\$ 22,889,880</u> | <u>\$ 7,541,640</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 348,619</u> | <u>\$ (1,320,554)</u> | <u>\$ 29,542,607</u> |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Combining Balance Sheet Information
December 31, 2018

| | 2018 | | | | | | |
|--|----------------------|---------------------|------------------|------------------|-------------------|-----------------------|----------------------|
| | Nursing | | | | Hospital | | Total |
| | Hospital | Homes | LLC | Home Health | Foundation | Eliminations | |
| Assets | | | | | | | |
| Current Assets | | | | | | | |
| Cash | \$ 1,639,314 | \$ 3,693,264 | \$ 3,475 | \$ 45,264 | \$ 66,929 | \$ - | \$ 5,448,246 |
| Short-term investments | 1,770,720 | - | - | - | - | - | 1,770,720 |
| Patient accounts receivable, net of allowance of \$2,614,041 | 5,393,526 | 2,273,767 | - | 3,397 | - | - | 7,670,690 |
| Other receivables | 1,711,625 | 463,603 | 33,958 | - | 20,921 | (1,362,708) | 867,399 |
| Supplies | 340,254 | 31,611 | - | - | - | - | 371,865 |
| Prepaid expenses and other assets | 228,513 | 106,773 | - | - | 2,976 | - | 338,262 |
| Total current assets | <u>11,083,952</u> | <u>6,569,018</u> | <u>37,433</u> | <u>48,661</u> | <u>90,826</u> | <u>(1,362,708)</u> | <u>16,467,182</u> |
| Noncurrent Cash and Investments | | | | | | | |
| Internally designated | 272,901 | - | - | - | - | - | 272,901 |
| Held by trustee for debt service | 642,474 | - | - | - | - | - | 642,474 |
| Total noncurrent cash and investments | <u>915,375</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>915,375</u> |
| Capital Assets, net | <u>9,547,271</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>312,070</u> | <u>-</u> | <u>9,859,341</u> |
| Other Assets | <u>88,098</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>88,098</u> |
| Total assets | <u>\$ 21,634,696</u> | <u>\$ 6,569,018</u> | <u>\$ 37,433</u> | <u>\$ 48,661</u> | <u>\$ 402,896</u> | <u>\$ (1,362,708)</u> | <u>\$ 27,329,996</u> |
| Liabilities and Net Position | | | | | | | |
| Current Liabilities | | | | | | | |
| Current maturities of long-term debt | \$ 615,992 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 615,992 |
| Line of credit | 1,362,708 | - | - | - | - | - | 1,362,708 |
| Accounts payable and accrued expenses | 3,847,821 | 5,250,878 | - | 6,289 | 24,264 | (1,362,708) | 7,766,544 |
| Estimated third-party settlements | 922,786 | - | - | - | - | - | 922,786 |
| Total current liabilities | <u>6,749,307</u> | <u>5,250,878</u> | <u>-</u> | <u>6,289</u> | <u>24,264</u> | <u>(1,362,708)</u> | <u>10,668,030</u> |
| Long-Term Debt | <u>8,411,410</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,411,410</u> |
| Total liabilities | <u>15,160,717</u> | <u>5,250,878</u> | <u>-</u> | <u>6,289</u> | <u>24,264</u> | <u>(1,362,708)</u> | <u>19,079,440</u> |
| Net Position | | | | | | | |
| Net investment in capital assets | 519,869 | - | - | - | 312,070 | - | 831,939 |
| Restricted for debt service | 642,474 | - | - | - | - | - | 642,474 |
| Unrestricted | 5,311,636 | 1,318,140 | 37,433 | 42,372 | 66,562 | - | 6,776,143 |
| Total net position | <u>6,473,979</u> | <u>1,318,140</u> | <u>37,433</u> | <u>42,372</u> | <u>378,632</u> | <u>-</u> | <u>8,250,556</u> |
| Total liabilities and net position | <u>\$ 21,634,696</u> | <u>\$ 6,569,018</u> | <u>\$ 37,433</u> | <u>\$ 48,661</u> | <u>\$ 402,896</u> | <u>\$ (1,362,708)</u> | <u>\$ 27,329,996</u> |

Greene County General Hospital
A Component Unit of Greene County, Indiana
Combining Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended December 31, 2019

| | 2019 | | | | | Total |
|---|---------------------|---------------------|------------------|------------------|------------------------|---------------------|
| | Hospital | Nursing Homes | LLC | Home Health | Hospital Foundation | |
| Operating Revenues | | | | | | |
| Net patient service revenue, net of provision for uncollectible accounts of \$7,750,610 | \$ 37,574,331 | \$ 28,543,688 | \$ - | \$ 6,180 | \$ - | \$ 66,124,199 |
| Other | 700,752 | 3,527,650 | 16,779 | 304 | 769 | 4,246,254 |
| Total operating revenues | <u>38,275,083</u> | <u>32,071,338</u> | <u>16,779</u> | <u>6,484</u> | <u>769</u> | <u>70,370,453</u> |
| Operating Expenses | | | | | | |
| Salaries and wages | 19,845,651 | - | - | - | 79,488 | 19,925,139 |
| Employee benefits | 4,408,744 | - | - | - | - | 4,408,744 |
| Purchased services and professional fees | 3,999,957 | 23,061,523 | 1,781 | 3,563 | - | 27,066,824 |
| Supplies and other | 9,093,270 | 7,702,095 | 1,507 | 14,348 | 104,190 | 16,915,410 |
| Depreciation and amortization | 1,099,117 | - | - | - | 18,726 | 1,117,843 |
| Provider hospital assessment fee | 1,449,832 | - | - | - | - | 1,449,832 |
| Total operating expenses | <u>39,896,571</u> | <u>30,763,618</u> | <u>3,288</u> | <u>17,911</u> | <u>202,404</u> | <u>70,883,792</u> |
| Operating Income (Loss) | <u>(1,621,488)</u> | <u>1,307,720</u> | <u>13,491</u> | <u>(11,427)</u> | <u>(201,635)</u> | <u>(513,339)</u> |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment income | 87,189 | - | - | - | - | 87,189 |
| Interest expense | (388,409) | - | - | - | - | (388,409) |
| Noncapital grants and contributions | 103,286 | - | - | - | 51,209 | 154,495 |
| Other | 2,670 | - | - | - | 22,473 | 25,143 |
| Total nonoperating revenues (expenses) | <u>(195,264)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>73,682</u> | <u>(121,582)</u> |
| Excess (Deficiency) of Revenues Over Expenses Before Transfers | <u>(1,816,752)</u> | <u>1,307,720</u> | <u>13,491</u> | <u>(11,427)</u> | <u>(127,953)</u> | <u>(634,921)</u> |
| Transfer (To) From Affiliate | <u>1,026,072</u> | <u>(1,103,478)</u> | <u>803</u> | <u>350</u> | <u>76,253</u> | <u>-</u> |
| Increase (Decrease) in Net Position | <u>(790,680)</u> | <u>204,242</u> | <u>14,294</u> | <u>(11,077)</u> | <u>(51,700)</u> | <u>(634,921)</u> |
| Net Position, Beginning of Year | <u>6,473,979</u> | <u>1,318,140</u> | <u>37,433</u> | <u>42,372</u> | <u>378,632</u> | <u>8,250,556</u> |
| Net Position, End of Year | <u>\$ 5,683,299</u> | <u>\$ 1,522,382</u> | <u>\$ 51,727</u> | <u>\$ 31,295</u> | <u>\$ 326,932</u> | <u>\$ 7,615,635</u> |

Greene County General Hospital
A Component Unit of Greene County, Indiana

Combining Statement of Revenues, Expenses and Changes in Net Position Information
Year Ended December 31, 2018

| | 2018 | | | | | Total |
|---|---------------------|---------------------|------------------|------------------|------------------------|---------------------|
| | Hospital | Nursing Homes | LLC | Home Health | Hospital Foundation | |
| Operating Revenues | | | | | | |
| Net patient service revenue, net of provision for uncollectible accounts of \$7,632,338 | \$ 33,843,172 | \$ 26,007,799 | \$ - | \$ 777,303 | \$ - | \$ 60,628,274 |
| Other | 509,214 | 3,032,413 | 1,389,191 | 106 | 155,343 | 5,086,267 |
| Total operating revenues | <u>34,352,386</u> | <u>29,040,212</u> | <u>1,389,191</u> | <u>777,409</u> | <u>155,343</u> | <u>65,714,541</u> |
| Operating Expenses | | | | | | |
| Salaries and wages | 16,666,418 | - | 980,569 | 563,463 | 78,961 | 18,289,411 |
| Employee benefits | 3,370,205 | - | 151,976 | 93,262 | - | 3,615,443 |
| Purchased services and professional fees | 3,591,136 | 20,305,861 | 17,559 | 226,519 | - | 24,141,075 |
| Supplies and other | 8,160,000 | 7,679,159 | 151,312 | 146,997 | 254,294 | 16,391,762 |
| Depreciation and amortization | 1,075,022 | - | - | 1,777 | 38,070 | 1,114,869 |
| Bad debt expense - non-patient | - | - | 179,389 | - | - | 179,389 |
| Provider hospital assessment fee | 1,084,745 | - | - | - | - | 1,084,745 |
| Total operating expenses | <u>33,947,526</u> | <u>27,985,020</u> | <u>1,480,805</u> | <u>1,032,018</u> | <u>371,325</u> | <u>64,816,694</u> |
| Operating Income (Loss) | <u>404,860</u> | <u>1,055,192</u> | <u>(91,614)</u> | <u>(254,609)</u> | <u>(215,982)</u> | <u>897,847</u> |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment income | 7,024 | - | - | - | - | 7,024 |
| Interest expense | (362,320) | - | - | - | - | (362,320) |
| Noncapital grants and contributions | 330 | - | - | - | 34,064 | 34,394 |
| Impairment loss - note receivable | (729,535) | - | - | - | - | (729,535) |
| Other | 306,183 | - | - | - | 39,621 | 345,804 |
| Total nonoperating revenues (expenses) | <u>(778,318)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>73,685</u> | <u>(704,633)</u> |
| Excess (Deficiency) of Revenues Over Expenses Before | | | | | | |
| Transfers | (373,458) | 1,055,192 | (91,614) | (254,609) | (142,297) | 193,214 |
| Transfer (To) From Affiliate | <u>908,984</u> | <u>(1,165,666)</u> | <u>300,343</u> | <u>156,026</u> | <u>(199,687)</u> | <u>-</u> |
| Increase (Decrease) in Net Position | 535,526 | (110,474) | 208,729 | (98,583) | (341,984) | 193,214 |
| Net Position, Beginning of Year | <u>5,938,453</u> | <u>1,428,614</u> | <u>(171,296)</u> | <u>140,955</u> | <u>720,616</u> | <u>8,057,342</u> |
| Net Position, End of Year | <u>\$ 6,473,979</u> | <u>\$ 1,318,140</u> | <u>\$ 37,433</u> | <u>\$ 42,372</u> | <u>\$ 378,632</u> | <u>\$ 8,250,556</u> |

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

Independent Auditor's Report

Board of Trustees
Greene County General Hospital
Linton, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Indianapolis, Indiana
June 9, 2020