JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

Financial Statements

Years Ended December 31, 2021 and 2020

(Together With Independent Auditor's Report)

JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

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Years Ended December 31, 2021 and 2020

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Jewell County Hospital
Mankato, Kansas:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jewell County Hospital, a component unit of Jewell County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements which collectively comprise Jewell County Hospital's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewell County Hospital as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, the *Kansas Municipal Audit and Accounting Guide* and *Government Auditing Standards*, we:

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

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

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Required Supplementary Information

Jewell County Hospital has omitted its management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of Jewell County 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 Jewell County 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 Jewell County Hospital's internal control over financial reporting and compliance.

Dohman, Akerlund & Eskey, LLC

Aurora, Nebraska
September 28, 2022

JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

Statements of Financial Position

December 31, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash	$ 3,293,893	1,801,422
Restricted cash - refundable grants	410,531	2,689,581
Patient and resident accounts receivable, net of contractual adjustments and estimated uncollectibles of $(422,566) in 2021 and $150,573 in 2020	698,715	1,192,880
Other receivables	41,637	11,997
Supply inventories	71,031	31,649
Prepaid expenses	28,301	29,951
Estimated third-party payor settlements	900,000	1,120,000
Total current assets	5,444,108	6,877,480
Assets whose use is limited or restricted:		
Internally designated:		
Farmland	184,232	184,232
Board account - cash	425,959	444,790
Property taxes held by Jewell County Treasurer	75,220	282,063
Held by trustee - construction funds	-	71
Total assets whose use is limited or restricted	685,411	911,156
Capital assets	10,538,540	9,769,818
Less accumulated depreciation	2,347,975	1,801,719
Net capital assets	8,190,565	7,968,099
	$ 14,320,084	15,756,735

See accompanying notes to financial statements.

Liabilities and Net Position	2021	2020
Current liabilities:		
Current maturities of long-term debt	$ 156,625	10,000
Current maturities of capital lease obligations	67,081	42,476
Accounts payable and withholdings:		
Trade and payroll withholding	297,053	285,043
Construction in progress, including retainage	-	982,467
Accrued expenses:		
Salaries, wages and benefits	283,629	296,413
Interest	3,424	25,283
Advanced insurance proceeds	-	84,000
Refundable grants	410,531	2,689,581
Medicare advance payment	2,694	480,000
Estimated third-party payor settlements	17,000	29,044
Total current liabilities	1,238,037	4,924,307
Medicare advance payment, net of current portion	-	874,306
Paycheck Protection Program loan	-	757,974
Capital lease obligations, excluding current maturities	245,771	72,220
Long-term debt, excluding current maturities	7,833,375	6,958,394
Total liabilities	9,317,183	13,587,201
Net position:		
Net investment in capital assets	(112,287)	927,485
Unrestricted	5,115,188	1,242,049
Total net position	5,002,901	2,169,534
	$ 14,320,084	15,756,735

JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient and resident service revenue	$ 6,004,066	5,118,195
Provision for bad debts	(173,935)	(110,256)
Net patient and resident service revenue, less provision for bad debts	5,830,131	5,007,939
Other revenue	157,390	108,925
Total operating revenues	5,987,521	5,116,864
Operating expenses:		
Salaries and wages	3,501,744	3,270,484
Employee benefits	955,967	922,124
Supplies and other	2,301,619	1,930,947
Depreciation	673,346	326,879
Total operating expenses	7,432,676	6,450,434
Operating loss	(1,445,155)	(1,333,570)
Nonoperating revenues and expenses:		
Property tax revenue	949,046	906,671
Farm rental income	34,174	31,006
Interest income	15,477	17,937
Interest expense	(353,005)	(227,652)
Gain (loss) on disposition of capital assets	(4,525)	669,005
Grants - provider relief funds	2,689,581	-
Paycheck Protection Program loan forgiveness	764,557	-
Noncapital grants and contributions	169,937	173,395
Total nonoperating revenues and expenses	4,265,242	1,570,362
Excess of revenues over expenses	2,820,087	236,792
Capital grants and contributions	13,280	27,396
Increase in net assets	2,833,367	264,188
Net position, beginning of year	2,169,534	1,905,346
Net position, end of year	$ 5,002,901	2,169,534

See accompanying notes to financial statements.

JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

Increase (Decrease) in Cash	2021	2020
Cash flows from operating activities:		
Cash received:		
Patients, residents, and third-party payors	$ 5,067,000	4,814,517
Other revenue	157,390	108,925
Cash paid to employees	(4,470,495)	(4,134,894)
Cash paid to suppliers	(2,464,889)	(1,739,465)
Net cash used by operating activities	(1,710,994)	(950,917)
Cash flows from noncapital financing activities:		
Property taxes received	1,155,889	869,986
Noncapital grants and contributions received	169,937	173,395
Proceeds from Paycheck Protection Program loan	-	757,974
Provider relief funds	410,531	2,689,581
Net cash provided by noncapital financing activities	1,736,357	4,490,936
Cash flows from capital and related financing activities:		
Capital expenditures	(1,489,575)	(5,026,504)
Capital grants and contributions	13,280	27,396
Proceeds from the issuance of revenue bonds	8,531,606	4,951,999
Principal payments on revenue bonds	(7,510,000)	-
Principal payments on capital lease obligations	(57,800)	(64,152)
Proceeds from sale of capital assets	275	674,079
Interest paid	(368,281)	(210,234)
Net cash provided (used) by capital and related financing activities	(880,495)	352,584
Cash flows from investing activities:		
Interest income received	15,477	17,937
Farm rental income received	34,174	31,006
Net cash provided by investing activities	49,651	48,943
Net increase (decrease) in cash and cash equivalents	(805,481)	3,941,546
Cash, beginning of year	4,935,864	994,318
Cash, end of year	$ 4,130,383	4,935,864
Reconciliation of cash and cash equivalents to the statements of financial position:		
Cash and cash equivalents	$ 3,293,893	1,801,422
Restricted cash - refundable grants	410,531	2,689,581
Board designated cash	425,959	444,790
Restricted - construction funds	-	71
	$ 4,130,383	4,935,864

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JEWELL COUNTY HOSPITAL
A Component Unit of Jewell County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2021 and 2020

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	2021	2020
Operating loss	$ (1,445,155)	(1,333,570)
Adjustment to reconcile operating loss to net cash used by operating activities:		
Depreciation	673,346	326,879
Provision for bad debts	173,935	110,256
Decrease (increase) in:		
Patient and resident accounts receivable	320,230	(838,860)
Other receivables	(29,640)	(11,997)
Supply inventories	(39,382)	2,013
Prepaid expenses	1,650	538
Estimated third-party payor settlements	220,000	(905,000)
Increase (decrease) in:		
Accounts payable and payroll withholding	(125,538)	188,931
Accrued expenses other than accrued interest payable	(12,784)	57,714
Estimated third-party payor settlements	(12,044)	13,873
Advanced insurance proceeds	(84,000)	84,000
Medicare advance payment	(1,351,612)	1,354,306
Net cash used by operating activities	$ (1,710,994)	(950,917)

Supplemental Disclosures of Cash Flows Information

	2021	2020
Capital asset additions acquired with capital lease obligations	$ 255,956	96,750
Capital asset additions included in accounts payable	$ 137,548	982,467

See accompanying notes to financial statements.

(1) Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity

These financial statements present only Jewell County Hospital (the Hospital), a political subdivision of the State of Kansas, located in Mankato, Kansas. The Hospital is a component unit of Jewell County, Kansas (the County) and is governed by a Board of Trustees (the Board) appointed by the Jewell County Board of County Commissioners. The Hospital provides acute, intermediate, clinic, and independent living (apartments) services to patients and residents in the Jewell County area.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as property taxes (county appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2021 and 2020.

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Intergovernmental revenue

The Hospital received approximately 16% and 15% of its financial support from intergovernmental revenue derived from property taxes levied by the County in 2021 and 2020, respectively. All of these funds were used to support operations in both years.

Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

Patient and resident accounts receivable and allowance for uncollectibles

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients and residents who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured/self-pay patients and residents (which includes both patients and residents without insurance and patients and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supply inventories

Supply inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases or realizable value.

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Assets whose use is limited or restricted

Assets whose use is limited or restricted include funds or assets internally designated by the Board, assets restricted by donors or grantors and debt proceeds held with trustee for construction. Board designated assets represent those assets over which the Board retains control and may designate, at its discretion, for a specific purpose. Donor and grant funds are restricted for specific purposes, as determined by the donor or grantor. Funds held by trustee are loan proceeds to be used for the building project further described in note 8.

Capital assets

The Hospital's capital assets are reported at historical cost less accumulated depreciation. Contributed capital assets are reported at their acquisition value at the time of their donation. Major renewals and improvements that exceed $5,000 are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets are charged to expense as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed. All capital assets other than land are depreciated or amortized over the estimated useful lives of the respective assets on the straight-line method. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized.

	Life in Years
Land improvements	15-20
Buildings and improvements	10-40
Fixed equipment	5-20
Moveable equipment	3-20

Net position

Net position of the Hospital is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The *restricted expendable* component consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. The *unrestricted* component of net position is the net amount of the assets and liabilities that are not included in the determination of *net investment in capital assets* or the *restricted* component of net position.

Restricted resources

When the Hospital has both restricted and unrestricted resources available to finance a particular activity or program, it is the Hospital's policy to use restricted resources before unrestricted resources.

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Operating revenues and expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services except interest on capital assets-related debt.

Net patient and resident service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates.

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for bad debts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity care

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

The Hospital estimates the costs associated with providing services under its charity care policy were $57 for the year ended December 31, 2020. The Hospital did not identify any charity care services for the year ended December 31, 2021. The Hospital computes its estimated charity care costs by applying its overall cost to charge ratio (total operating costs divided by gross patient and resident service revenue) to the gross charges forgone under its charity care policy.

Grants and contributions

The Hospital generally receives grants and contributions from various agencies, private organizations, and individuals. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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Income taxes

As an essential government entity, the Hospital is generally exempt from federal and state 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.

Compensated absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Accumulated PTO vests and may be carried forward by an employee in an amount not to exceed hourly limits based on length of employment. The maximum amount of hours to be carried forward is 480. PTO benefits are expensed and accrued as earned under the Hospital's PTO policy, with the vested amount recorded as a current accrued liability. Compensated absence liabilities are computed using regular pay rates for PTO in effect at the balance sheet date.

Investment income

Investment income is reported as nonoperating income. Investment income on donor-restricted assets which is not donor-restricted is recorded as nonoperating income. Investment income on donor-restricted assets which is donor-restricted is added to restricted net position balances.

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; and natural disasters, medical malpractice and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Estimated malpractice costs

The provision for estimated medical malpractice claims, if any, includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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(2) Net Patient and Resident Service Revenue

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

- **Medicare:** The Hospital is designated as a Critical Access Hospital which generally allows cost-based reimbursement for most Medicare hospital services. Inpatient acute, inpatient nonacute (swing-bed), and outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). Although the majority of the services provided are reimbursed under the previously described methodology, there are services, such as certain laboratory and diagnostic services, reimbursed under a prospectively determined fee-schedule. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the MAC through December 31, 2019.

  The “Budget Control Act of 2011” requires, among other things, mandatory across-the-board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the CARES Act temporarily exempted Medicare from the effects of sequestration. This exemption was in effect from May 1, 2020 through March 31, 2022. From April 1, 2022 to June 30, 2022, a 1% reduction will occur and after June 30, 2022, the full 2% reduction will apply again.

- **Medicaid:** Inpatient and outpatient services provided to Medicaid beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. That add-on percentage may be rebased at some time in the future.

Approximately 77% and 80% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

(Continued)

For uninsured patients and residents that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients and residents will be unable or unwilling to pay for the services provided. The Hospital records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided. Additionally, Medicare, Medicaid, and commercial insurance and other gross revenue classifications include the patient and resident responsibility amounts associated with deductibles and/or copayments. The uncollectible portions of the patient and resident responsibility amounts are included in the provision for bad debts. The following schedule provides patient and resident service revenue recognized in the period by major payor source:

	2021	2020
Net patient and resident service revenue:		
Gross patient and resident service revenue:		
Medicare	$ 1,534,414	1,182,249
Medicaid	586,254	702,387
Commercial insurance and other	929,727	763,370
Uninsured/self-pay	619,356	416,897
Charity care deductions	-	(28)
Gross patient and resident service revenue (after charity care)	3,669,751	3,064,875
Contractual adjustments:		
Medicare	2,626,777	2,395,896
Medicaid	(103,590)	(193,299)
Commercial insurance and other	(188,872)	(149,277)
Total contractual adjustments	2,334,315	2,053,320
Net patient and resident service revenue	6,004,066	5,118,195
Provision for bad debts	(173,935)	(110,256)
Net patient and resident service revenue, less provision for bad debts	$ 5,830,131	5,007,939

(Continued)

(3) CARES Act Provider Relief Funds and Other COVID-19 Funds

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Hospital has operated within the guidelines provided by both state and federal regulatory agencies. Additionally, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions have impacted overall health care services. The U.S. Congress passed the Families First Coronavirus Response Act, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARP Act) to provide relief programs and direct funds to both health care providers, such as the Hospital, and the general public to assist during the duration of the pandemic.

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds to distribute funds to health care providers. The Hospital received Provider Relief Fund distributions of $410,531 and $2,689,581 during the years ended December 31, 2021 and 2020, respectively. The terms and conditions associated with accepting the Provider Relief Funds can vary based on the specific distribution received. The majority of the funds received by the Hospital specifically state they can only be used to prevent, prepare for, and respond to coronavirus health care-related expenses or lost revenues that are attributable to the coronavirus. Recipients are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds are required to be returned to HHS.

The receipt of these funds are considered a voluntary nonexchange transaction and recorded as a liability, Refundable grants, and are recognized as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position as all the terms and conditions are considered met. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date the financial statements were available to be issued. In addition, the funds may be subject to oversight, monitoring and audit. Failure to comply with any term or condition can subject the Hospital to recoupment of some or all of the distributions. The Hospital believes it has met certain terms and conditions during the applicable reporting periods and therefore recognized $2,689,581 as Grants - provider relief funds for the year ended December 31, 2021. The remaining funds are being reported as a current liability, Refundable grants. The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(Continued)

The Hospital also received $163,106 and $186,168 of funds from the State of Kansas and other organizations during the years ended December 31, 2021 and 2020, respectively, to provide general financial assistance during the pandemic or to be specifically used for COVID-19 related expenses. The Hospital recognized $163,106 and $186,168 for the years ended December 31, 2021 and 2020, respectively, due to meeting the terms and conditions associated with these portions of the funds and has recognized the amounts as either Noncapital grants and contributions or Capital grants and contributions as applicable.

Additionally, the CARES Act amended the existing CMS Accelerated Payments Program to provide additional benefits and flexibilities to hospitals covered in the CARES Act. The Hospital requested the maximum amounts available under this program and received $1,354,306 in advance payments from Medicare in April 2020. The recoupment of these funds started one year from their receipt with Medicare withholding 25% of claim payments over the first 11 months. Thereafter, Medicare will withhold 50% of claim payments for the next six months. Any amounts remaining, after the cumulative 17 months of withholding have occurred, are due in full to be remitted by the Hospital to Medicare. During 2021, Medicare recouped $624,617 and the Hospital made extra payments of $726,995 leaving a balance of $2,694, which will be recouped in full in fiscal year 2022. The remaining portion is being reported as a current liability titled Medicare advance payment.

(4) 340B Pharmacy Revenue

During 2020, the Hospital began participating in the 340B Drug Discount Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter in to certain contracts with unrelated pharmacies who provide certain prescriptive drugs to Hospital patients who receive rural health clinic and outpatient services. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring process. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near future. Included in other operating revenue is $76,411 and $22,345 of 340B Program revenue for the years ended December 31, 2021 and 2020, respectively.

(Continued)

(5) Cash and Cash Equivalents

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

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

The Hospital's bank deposits at December 31, 2021 and 2020 were entirely insured by federal depository insurance or collateralized by securities held by the financial institution, or its agent, in the Hospital's name as follows:

	2021	2020
Insured by federal depository insurance	$ 750,000	750,000
Collateralized by securities held by the pledging financial institution in the Hospital's name	3,380,383	4,185,864
	$ 4,130,383	4,935,864

The Hospital's cash at December 31, 2021 and 2020 consisted of cash, checking accounts, savings accounts, and funds held by the Jewell County Treasurer recorded at cost which approximates market.

The carrying amounts of deposits are included in the Hospital's balance sheet captions as follows at December 31, 2021 and 2020:

	2021	2020
Cash	$ 3,293,893	1,801,422
Restricted cash - refundable grants	410,531	2,689,581
Board designated	425,959	444,790
Held by Trustee	-	71
	$ 4,130,383	4,935,864

The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

(Continued)

(6) Patient and Resident Accounts Receivable and Concentration of Credit Risk

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

Patient and resident accounts receivable reported as current assets at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Receivable from:		
Patients and residents	$ 515,708	423,857
Patients and residents' insurance carriers	161,112	150,849
Medicare	316,048	358,311
Medicaid	128,413	109,290
Total patient and resident accounts receivable	1,121,281	1,042,307
Allowances for:		
Contractual adjustments	13,545	511,046
Uncollectible accounts	(436,111)	(360,473)
Total allowances	(422,566)	150,573
Net patient and resident accounts receivable	$ 698,715	1,192,880

(7) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include: 1) funds and assets internally designated by the Board and 2) funds held by trustee. Board designated assets represent those assets over which the Board retains control and may designate, at its discretion, for a specific purpose. Donor and grant funds are restricted for specific purposes, as determined by the donor or grantor. Funds held by trustee were loan proceeds to be used for the building project further described in note 8.

(Continued)

Assets whose use is limited or restricted at December 31, 2021 and 2020 were comprised of the following:

	2021	2020
Internally designated:		
Farmland	$ 184,232	184,232
Board account - cash	425,959	444,790
Property taxes held by Jewell County Treasurer	75,220	282,063
Total internally designated assets	$ 685,411	911,085
Restricted by trustee,		
Federated Government Obligations, money market account - restricted for capital assets	$ -	71

(8) Capital Assets

Capital asset additions, transfers/retirements, and balances for the years ended December 31, 2021 and 2020 were as follows:

	2020	Additions	Transfers/ Retirements	2021
Historical costs				
Land (not depreciated)	$ 4,760	-	-	4,760
Land improvements	286,309	-	-	286,309
Buildings and improvements	6,878,417	574,292	-	7,452,709
Fixed equipment	1,588,179	7,119	-	1,595,298
Moveable equipment	1,012,153	289,201	(131,890)	1,169,464
Construction in progress (not depreciated)	-	30,000	-	30,000
Total historical costs	9,769,818	900,612	(131,890)	10,538,540
Less accumulated depreciation				
Land improvements	(88,451)	(16,930)	-	(105,381)
Buildings and improvements	(836,588)	(468,037)	-	(1,304,625)
Fixed equipment	(115,646)	(117,947)	-	(233,593)
Moveable equipment	(761,034)	(70,432)	127,090	(704,376)
Total accumulated depreciation	(1,801,719)	(673,346)	127,090	(2,347,975)
Net capital assets	$ 7,968,099	227,266	(4,800)	8,190,565

(Continued)

	2019	Additions	Transfers/ Retirements	2020
Historical costs				
Land (not depreciated)	$ 4,760	-	-	4,760
Land improvements	103,742	189,584	(7,017)	286,309
Buildings and improvements	1,457,015	6,041,347	(619,945)	6,878,417
Fixed equipment	337,093	1,495,408	(244,322)	1,588,179
Moveable equipment	1,063,320	193,251	(244,418)	1,012,153
Construction in progress (not depreciated)	3,105,658	4,620,680	(7,726,338)	-
Total historical costs	6,071,588	12,540,270	(8,842,040)	9,769,818
Less accumulated depreciation				
Land improvements	(85,335)	(10,133)	7,017	(88,451)
Buildings and improvements	(1,256,935)	(195,441)	615,788	(836,588)
Fixed equipment	(317,631)	(42,337)	244,322	(115,646)
Moveable equipment	(925,567)	(78,968)	243,501	(761,034)
Total accumulated depreciation	(2,585,468)	(326,879)	1,110,628	(1,801,719)
Net capital assets	$ 3,486,120	12,213,391	(7,731,412)	7,968,099

During the year ended December 31, 2020, the Hospital substantially completed and placed into service $7,726,338 of property, plant and equipment costs associated with a renovation and expansion project of the existing facility. The project included additions to the rural health clinic, physical therapy area and emergency department as well as renovations to acute and swing-bed patient rooms. Interest cost incurred associated with the interim financing of the construction project of $339,298 and $222,891 for the years ended December 31, 2021 and 2020, respectively, was expensed. See additional information regarding the short and long-term financing of this project as described in note 10.

Construction in progress at December 31, 2021 consists of amounts paid for the construction of a storage shed. The storage shed was completed and placed in service in fiscal year 2022 with additional costs incurred of $11,400.

(Continued)

(9) Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) was established by the CARES Act to provide a direct incentive for small businesses to keep their workers on payroll during the COVID-19 pandemic. The PPP loans are administered by the Small Business Administration (SBA) and provide direct loans to qualifying business entities through SBA approved lending institutions (banks). The funds are intended to be used for paying employee wages and other critical expenses, such as mortgage interest and utilities. The PPP loans are two or five-year promissory notes with a 1% interest rate, with deferred interest payments and require no collateral or personal guarantees. Additionally, the entire loan and applicable interest, or a portion thereof, can qualify for forgiveness if the proceeds are used for defined forgivable purposes, such as employee wages and benefits, that are incurred and paid within a covered time period and other stipulations are met.

The Hospital applied for and received a PPP loan totaling $757,974 on May 4, 2020. The loan carries a 1% interest rate, with repayments deferred until loan forgiveness is submitted or 10 months after the end of the covered period of the loan forgiveness period (8 or 24 weeks) if forgiveness is not requested. The Hospital completed the loan forgiveness application and the principal amount of $757,974 and all accrued interest of $6,583 was forgiven during 2021.

(10) Long-term Debt

A schedule of changes in the Hospital's long-term debt for the years ended December 31, 2021 and 2020 are as follows:

	2020	Additions	Reductions	2021	Current Portion
Revenue Bonds, Series 2021 (a)	$ -	7,500,000	-	7,500,000	146,625
Revenue Bonds, Series 2018-A (a)	6,468,394	1,031,606	(7,500,000)	-	-
Revenue Bonds, Series 2018-B (b)	500,000	-	(10,000)	490,000	10,000
Total long-term debt obligations	6,968,394	8,531,606	(7,510,000)	7,990,000	156,625
Less current installments	10,000			156,625	
Long-term debt, excluding current installments	$ 6,958,394			7,833,375	

(Continued)

	2019	Additions	Reductions	2020	Current Portion
Revenue Bonds, Series 2018-A (a)	$ 1,516,395	4,951,999	-	6,468,394	-
Revenue Bonds, Series 2018-B (b)	500,000	-	-	500,000	10,000
Total long-term debt obligations	2,016,395	4,951,999	-	6,968,394	10,000
Less current installments	-			10,000	
Long-term debt, excluding current installments	$ 2,016,395			6,958,394	

The terms and due dates of the Hospital's long-term debt at December 31, 2021 and 2020 are as follows:

(a) $7,500,000 Jewell County, Kansas Taxable Hospital Refunding Revenue Bonds, Series 2021 (Series 2021 Bonds) and $7,500,000 Jewell County, Kansas Hospital Revenue Bond Anticipation Bonds, Series 2018-A (Series 2018-A Bonds). On December 13, 2018, the Series 2018-A Bonds were issued in the principal amount up to $7,500,000 to Security Bank of Kansas City (the Bank). The Hospital drew on the Series 2018-A Bonds as needed to fund the costs of construction of an addition to and improvements, renovations, and equipment for the existing health care facilities of the Hospital as described further in note 8. Draws on the Series 2018-A Bonds included amounts necessary for related debt issuance costs and interest incurred during the construction period. On December 28, 2021, $7,500,000 of Series 2021 Bonds were issued to the USDA (permanent long-term financing) to repay Series 2018-A Bonds. The Series 2021 Bonds require thirty-five annual payments of principal and interest starting on December 28, 2022, carry a 2.125% interest rate with the final principal and interest payments due December 28, 2056.

The Series 2021 Bonds carry various debt covenants, some of the more significant covenants are as follows:

- The Hospital has to maintain sixty days of cash on hand. This requirement was met as of December 31, 2021.
- The Hospital is required to maintain a minimum 1.2 debt service coverage ratio for the life of the loan. This requirement will be applicable starting in calendar year 2022.

(Continued)

- The Hospital must establish a debt service fund that it will make monthly deposits of $25,500 into each month to be used for the yearly payments of principal and interest. The funding requirement started in January 2022.
- The Hospital must establish a debt service reserve fund that it will make monthly deposits of $2,550 into until the account is fully funded to $306,000. The funding requirement started in January 2022.
- The Hospital must establish a capital replacement reserve account and deposit $2,917 per month until the account is fully funded to $350,000. The funding requirement started in January 2022.

(b) $500,000 Jewell County, Kansas, Taxable Hospital Revenue Bonds Series 2018-B (Series 2018-B). The Series 2018-B Bonds were issued on December 13, 2018 for the purpose of paying a portion of the costs of expanding and improving the Hospital, as further described in note 8.

The Series 2018-B Bonds require the Hospital to establish a debt service fund that it will make monthly deposits of $2,977 into each month to be used for the yearly payments of principal and interest. The funding requirement started in January 2022.

The Series 2018-B Bonds are payable in annual installments of $10,000 to $35,000 from 2021 to 2043. Interest payments are due each June 1 and December 1, beginning June 1, 2019 at an interest rate of 5.25% through December 1, 2023, at which time the rate adjusts to the New York prime commercial lending rate and adjusts on each 5th anniversary thereafter.

(Continued)

Scheduled principal and interest amounts on the Series 2021 and 2018-B Bonds are as follows:

Year Ending December 31,	Bonds Payable Principal	Bonds Payable Interest	Total
2022	$ 156,625	185,100	341,725
2023	164,741	181,459	346,200
2024	167,503	177,909	345,412
2025	171,164	173,462	344,626
2026	174,482	169,356	343,838
2027-2031	939,300	700,912	1,640,212
2032-2036	1,058,192	601,771	1,659,963
2037-2041	1,193,171	490,098	1,683,269
2042-2045	1,234,422	368,334	1,602,756
2046-2051	1,293,568	236,432	1,530,000
2052-2056	1,436,832	92,978	1,529,810
Total	$ 7,990,000	3,377,811	11,367,811

(11) Capital Lease Obligations

A schedule of changes in the Hospital's capital lease obligations for the years ended December 31, 2021 and 2020 are as follows:

	2020	Additions	Reductions	2021	Current Portion
Capital lease payable (a)	$ 3,992	-	(3,162)	830	830
Capital lease payable (b)	21,255	-	(21,255)	-	-
Capital lease payable (d)	89,449	-	(18,059)	71,390	18,842
Capital lease payable (e)	-	255,956	(15,324)	240,632	47,409
Total capital lease obligations	114,696	255,956	(57,800)	312,852	67,081
Less current installments	42,476			67,081	
Capital lease obligations, excluding current installments	$ 72,220			245,771	

(Continued)

	2019	Additions	Reductions	2020	Current Portion
Capital lease payable (a)	$ 6,910	-	(2,918)	3,992	3,162
Capital lease payable (b)	71,024	-	(49,769)	21,255	21,255
Capital lease payable (c)	4,164	-	(4,164)	-	-
Capital lease payable (d)	-	96,750	(7,301)	89,449	18,059
Total capital lease obligations	82,098	96,750	(64,152)	114,696	42,476
Less current installments	56,851			42,476	
Capital lease obligations, excluding current installments	$ 25,247			72,220	

The terms and due dates of the Hospital's capital lease obligations at December 31, 2021 are as follows:

(a) Capital lease obligation, due in monthly installments of $280, including interest at an imputed rate of 8.00%; secured by firewall equipment having an original cost basis of $23,117 and net book value of $963 at December 31, 2021.

(b) Capital lease obligation, due in monthly installments of $4,289 beginning in June 2016, including interest at 3.50%; secured by a CT machine and modular building. This lease was fully paid off during 2021.

(c) Capital lease obligation, due in monthly installments of $472 beginning in November 2015, including interest at 4.82%. This lease was fully paid off during 2020.

(d) Capital lease obligation, due in monthly installments of $1,793 beginning in August 2020, including interest at 4.25%; secured by laboratory equipment having an original cost basis of $96,750 and net book value of $76,018 at December 31, 2021.

(e) Capital lease obligation, due in monthly installments of $4,772 beginning in September 2021, including interest at 4.50%; secured by X-ray equipment having an original cost basis of $255,956 and net book value of $245,121 at December 31, 2021.

(Continued)

Scheduled principal and interest amounts on capital leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 67,081	12,541	79,622
2022	69,247	9,534	78,781
2023	72,360	6,432	78,792
2024	66,621	3,195	69,816
2025	37,543	635	38,178
Total	$ 312,852	32,337	345,189

(12) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) which provides $200,000 of coverage per occurrence and $600,000 aggregate coverage. The Kansas Health Care Stabilization Fund provides an additional $800,000 of coverage for each medical incident and $2,400,000 of aggregate coverage for each policy year. In addition, the Hospital carries an umbrella policy which also provides $1,000,000 per occurrence and $3,000,000 aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while coverage is in force. The Hospital accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim. Based upon the Hospital's claim experience, no such accrual has been made. However, because of the risks involved in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

(13) Deferred Compensation and Defined Contribution Plan

The Hospital participates in the KPERS 457(b) Defined Contribution Deferred Compensation Plan and the KPERS 401(a) Supplemental Defined Contribution Plan, which complements the KPERS 457(b) plan. Eligibility is established by all employees who have completed one year of continuous service. Full-time employees may contribute up to 4% of their gross compensation per year. Part-time employees may contribute up to 2% of their gross compensation per year. Employee contributions to all benefit plans cannot exceed 25% of their gross compensation or $16,500. The Hospital matches employee contributions up to 4% and 2% of eligible compensation for full-time and part-time employees, respectively. Employer and employee contributions vest immediately. Benefits are funded by fixed and variable annuities with an insurance company. Contributions actually made by employees totaled $106,390 and $95,486 in 2021 and 2020, respectively. Hospital contributions under both plans totaled $78,067 and $70,068 in 2021 and 2020, respectively.

(Continued)

(14) Reclassification

The Hospital's 2020 financial statements have been reclassified to conform with 2021 presentation.

JEWELL COUNTY HOSPITAL

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture,			
Community Facilities Loans and Grants			
Cluster Community Facilities Loans and Grants	10.766	N/A	$ 1,031,606
United States Department of Health and Human Services:			
Direct Awards:			
COVID-19 Provider Relief Fund	93.498	N/A	2,643,428
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	N/A	49,461
COVID-19 Claims Reimbursement for the			
Uninsured and the COVID-19 Coverage Assistance Fund	93.461	N/A	490
Total United States Department of Health and Human Services			2,693,379
Passed Through the State of Kansas			
Department of Health and Environment:			
COVID-19 Coronavirus Small			
Rural Hospital Improvement Program	93.301	N/A	63,613
Small Rural Hospital Improvement Program	93.301	N/A	9,381
			72,994
Total United States Department of Health and Human Services			2,766,373
United States Department of the			
Treasury, Passed Through the State of			
Kansas Department of Health and Environment,			
SPARK Frontline Hospital Employee Retention Program	21.027	N/A	99,493
Total Expenditures of Federal Awards			$ 3,897,472

See accompanying notes to the schedule of expenditures of federal awards.

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(Continued)

JEWELL COUNTY HOSPITAL

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal awards activity of the Hospital under programs of the federal government for the year ended December 31, 2021. The accompanying schedule presents total expenditures in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amounts presented in this schedule may differ from the amounts presented in, or used in, the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the accrued basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

C. USDA Loans

The ending outstanding balance as of December 31, 2021 of the USDA Community Facilities Loan and Grant was as follows:

USDA direct loan	10.766	$ 7,500,000
USDA guaranteed loan	10.780	490,000
		$ 7,990,000

D. Provider Relief Fund Reporting

Provider relief funds (PRF) are to be reported during four separate time periods. Period 1 reporting encompassed all PRF received from April 10, 2020 through June 30, 2020 with a measurement date for use of funds through June 30, 2021. Period 2 reporting includes all PRF received from July 1, 2020 through December 31, 2020 with a measurement date for use of funds through December 31, 2021. Period 3 reporting includes all PRF received from January 1, 2021 through June 30, 2021 with a measurement date for use of funds through June 30, 2022. Period 4 reporting includes all PRF received from July 1, 2021 to December 31, 2021 with a measurement date for use of funds through December 31, 2022. Accordingly, the amounts included on the accompanying schedule of expenditures of federal awards are for PRF subject to Period 1 reporting and Period 2 reporting.

(Continued)

JEWELL COUNTY HOSPITAL

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

As previously noted, the PRF reporting timeline for Period 1 use of funds runs from April 10, 2020 through June 30, 2021, while Period 2 use of funds runs from July 1, 2021 through December 31, 2021. This has resulted in the Hospital's recognition and reporting for financial statement purposes not matching with the PRF reporting timeline. A reconciliation of total expenditures of PRF and other awards to amounts recognized in the Hospital's financial statements are as follows:

Total PRF amounts included in the Expenditures of Federal Awards	$ 2,643,428
Amounts reflected in the audited financial statements, in the "Statements of revenues, expenses and changes in net position":	
Grants – provider relief funds FY2021	$ 2,640,120
Investment income – provider relief funds FY2021 and FY2020	3,308
	$ 2,643,428

E Indirect Cost Rate

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

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Jewell County Hospital
Mankato, Kansas:

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 Jewell County Hospital (the Hospital), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated September 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 that we consider to be material weaknesses.

* * * * * *

(Continued)

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Report on Compliance and Other Matters

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

Hospital's Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Hospital's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

* * * * * *

Other Reporting and Operating Comments

The following comments are directed not to deficiencies in internal control, but to our observations of Hospital operations and the financial reporting system in general:

NEW ACCOUNTING AND REPORTING STANDARDS

The following new accounting standards will become effective soon and may impact how the Hospital reports certain transactions. We recommend the Hospital be aware of the reporting period these standards will become applicable for and begin the evaluation process to determine the impact they may have on the Hospital's financial reporting methodologies. Please contact us if you have any questions regarding these standards or require assistance with your review of them.

GASB Statement No. 87 - Leases

In June 2017, the GASB issued Statement No. 87. This new statement requires a lessee to recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term. The new standard, originally effective for fiscal years beginning after December 15, 2019, has been extended and is now effective for fiscal years beginning after June 15, 2021. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

(Continued)

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITA)

In May 2020, the GASB issued Statement No. 96. This new statement establishes that a SBITA results in the recognition of a right-to-use asset and a corresponding subscription liability and provides for capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA. The subscription liability should be initially measured as the present value of the subscription payments expected to be made during the subscription term. To the extent relevant, the standards for SBITAs are based on the standards established for GASB Statement No. 87 - Leases, as amended previously discussed. The new standard is effective for fiscal years beginning after June 15, 2022 with earlier application encouraged.

MEDICARE COST REPORTING

Review of Cost Report Cost Centers and Statistical Bases

We have recently noted the Hospital's Medicare Administrative Contractor (MAC), during its reviews/audits of submitted Medicare cost reports, is requesting facilities to provide approval letters for any unique cost centers and any non-standard statistical bases being utilized. If the facility cannot provide approval letters dated after May 1, 2010, the MAC is issuing a management letter stating the hospital should either change to follow the prescribed methodologies on the cost reporting forms or request approvals for other methodologies being utilized.

We suggest the Hospital review the current cost centers and statistical bases being utilized and request approval for any deviations from the methodologies prescribed on the standard cost reporting forms. We also suggest that as part of this process the Hospital analyze any potential changes in its current cost reporting methodologies that could result in improved overall reimbursement. We would be pleased to assist the Hospital with this process if so desired.

FRAUD RISK ASSESSMENT

Based on the answers provided to us by management during our completion of internal control questionnaires and other related interviews, we noted there is currently no written policy requiring the annual performance of a fraud risk assessment. Therefore, we suggest the Hospital adopt a formal written policy regarding performance of an annual fraud risk assessment on the Hospital's internal accounting controls. The written policy should provide specific procedures to be performed and a requirement to provide a written report to the Hospital's Board of Trustees regarding the procedures performed, the results and findings, and any recommendations for changes to improve the system.

* * * * * *

(Continued)

Purpose of this Report

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

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 28, 2022

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Kurt J. Moural, CPA
Thomas L. Stevenson, CPA
Daniel E. Vinkenberg, CPA
Sonja A. Cattau, CPA
Troy E. Knust, CPA
Tim J. Coufal, CPA
Casey J. Moscrip, CPA

Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Jewell County Hospital
Mankato, Kansas:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

(Continued)

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 28, 2022

JEWELL COUNTY HOSPITAL

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	_X_ Yes ___No
Significant deficiency(ies) identified?	___Yes _X_ None reported
Noncompliance material to financial statements noted?	___Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___Yes _X_ No
Significant deficiency(ies) identified?	___Yes _X_ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the 2 CFR Section 200.516(a)	_X_ Yes ___No

Identification of major programs:

CFDA	Program Name
10.766/10.780	Community Facilities Loans and Grants Cluster
93.498	Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	___Yes _X_ No

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 2021-001 SEGREGATION OF DUTIES

Criteria

Appropriate segregation of duties to ensure that errors or irregularities are prevented or detected in a timely manner by employees during the normal course of business.

Conditions

Not all major accounting areas have complete segregation of duties.

Cause

The Hospital has limited personnel available to completely segregate all duties.

Specific areas and comments

Cash account reconciliations

There is no formal review process for the monthly bank reconciliation process. We recommend the bank reconciliations be reviewed and approved by someone at the appropriate level of experience on a monthly basis and that the review and approval be documented.

Cash receipt/accounts receivable (AR) processes

There are personnel in the cash receipts/AR area who have physical access to cash receipts and are either directly involved with the posting of AR payments or have the ability to post payments to the AR system. These same personnel also have the ability to record AR contractual adjustments, as well as bad debt and charity care write-offs. We recommend a review of these duties to determine if these functions can be segregated or if mitigating procedures can be performed to improve overall control functions for this area.

Cash disbursements/accounts payable (AP), purchasing, and inventory processes

The AP agent has access, recording, and monitoring abilities. Specifically, the AP agent can initiate purchases, record AP transactions, initiate payments, change master vendor files, and prepare AP reconciliations to the general ledger. While the AP agent is not an authorized signer, controls in this area should be reviewed to determine where improvements can be made. At a minimum, we recommend mitigating procedures be implemented, such as having an appropriate level of management review changes to the master vendor list and AP reconciliations to the general ledger. Reviews performed should be formally documented.

Custody of checks after signature and before mailing is handled by an employee that is not independent of payable, disbursing, and general ledger functions.

Personnel who are responsible for receipt, storage, and issuance of goods are not independent of responsibility for purchases, sales, and inventory records. Ideally, these functions would be performed by separate individuals.

Inventory counts are not performed by someone independent of the actual inventory control process for some departments.

(Continued)

Payroll processing

Personnel actually preparing and processing payroll have the ability to make payroll system master file changes, such as adding new employees, changes to wage rates, and adding employees to the payroll deposit listing used by the bank to make the payroll direct deposit.

The same personnel also perform all associated payroll reconciliation procedures, including payroll liability accounts not paid by check.

Effect and recommendations

The size of the Hospital and its staff sometimes limits the application of adequate segregation of duties. Although compensating controls exist within the Hospital's operations, the accounting controls should be reviewed periodically and consideration should be given to improving segregation of duties and developing procedures which additionally mitigate potential risks. The benefit derived versus the cost of proposed changes should be thoroughly reviewed prior to implementation of the changes.

Views of responsible officials and planned corrective actions

Management understands these limited personnel control deficiencies and will continue to review and implement procedural changes to improve controls as economically feasible.

FINDING 2021-002 THIRD-PARTY PAYOR ESTIMATES

Criteria

Preparation of a Medicare cost report settlement estimate on an on-going monthly basis.

Condition

The Hospital does prepare some year-to-date Medicare cost report settlement estimates during the year but generally does not prepare an estimate at the end of every monthly close and did not prepare one as of year-end. Based on the receipt of the 2021 Medicare cost report, a year-end audit adjustment of $1,189,891 was required to adjust the third-party payor settlement amounts as of December 31, 2021.

Cause

Limited personnel available with detail cost reporting knowledge and available time to prepare each month.

Effect and recommendation

A significant audit adjusting journal entry was required at year-end. We suggest at the end of each monthly close the Hospital perform a year-to-date Medicare cost report settlement calculation with a corresponding adjustment made as necessary. Monthly preparation of such a calculation will provide Hospital management and the Board with more accurate and timely financial information each month to use for decision making.

Views of responsible officials and planned corrective actions

The Hospital does prepare at least one estimated Medicare cost report settlement calculation during each calendar year. The Hospital will consider performing additional estimates this upcoming year.

(Continued)

FINDING 2021-003 GAAP FINANCIAL STATEMENT PREPARATION

Criteria

Management's preparation of the financial statements in accordance with GAAP.

Condition

The preparation of the Hospital's year-end financial statements in accordance with GAAP, which would include all required footnote disclosures, requires management to possess sufficient knowledge and expertise to select and apply appropriate accounting principles. As is a common situation at many small entities, management does not currently possess the qualifications to accomplish these responsibilities completely on their own.

Cause

Limited personnel available with detail GAAP knowledge to prepare year-end financial statements.

Effect and recommendation

Year-end financial statements, prepared in accordance with GAAP, are currently prepared by Hospital management with assistance from the auditors. We suggest management review its current processes and determine whether it is a cost beneficial goal to be able to prepare year-end financial statements in accordance with GAAP with little or no assistance.

Views of responsible officials and planned corrective actions

Management understands that this is a deficiency, but based on cost/risk analysis, it was determined that it is not economically feasible to contract external assistance for financial statement preparation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2021-004 PROVIDER RELIEF FUND GENERAL AND TARGETED DISTRIBUTION REPORTING REQUIREMENTS

Program

CFDA Number 93.498
U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund

Criteria/Requirement

The federal program requires the reporting entity to report all other COVID-19 program assistance received by quarter during the applicable reporting periods. Additionally, there is a reporting section for the Hospital to report its Facility Metrics.

Cause

Hospital management misinterpreted the reporting requirements and did not understand that it had received certain grants that met the reporting requirements to be included as Other Assistance on the final Provider Relief Fund reporting forms. Additionally, management inadvertently did not complete the Facility Metrics section of the reporting form.

(Continued)

Potential effect

Not reporting certain grants understates the total amount of assistance the Hospital received under various COVID-19 programs during the applicable reporting periods.

Questioned costs

None.

Context/Perspective

Management reported nearly $908,000 in the Other Assistance section of the provider relief reporting form for Period 1. During our audit testing, we noted the Hospital received approximately $223,000 in additional grants for COVID-19 that were inadvertently not reported in this section as required. This reporting error does not appear to have affected the final total amount of expenditures reported as allowable under the Provider Relief Fund.

Additionally, we noted management did not complete the Facility Metrics section of the provider relief form.

Recommendation

Management should further review the specific Provider Relief Fund program reporting requirements to assure all applicable reporting requirements are met for future reporting periods.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. We inadvertently missed reporting a couple of grants in the other assistance received category of the PRF reporting form. We will continue to monitor and enhance our internal controls over federal award compliance to ensure that all reporting requirements are met in future filings.

JEWELL COUNTY HOSPITAL

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

FINDING 2020-A SEGREGATION OF DUTIES

Condition

The finding was a material weakness. Not all major accounting areas have complete segregation of duties.

Recommendation

The size of the Hospital and its staff sometimes limits the application of adequate segregation of duties. The auditors suggested that although compensating controls exist within the Hospital's operations, the accounting controls should be reviewed periodically and consideration should be given to improving segregation of duties and developing procedures which additionally mitigate potential risks. The benefit derived versus the cost of proposed changes should be thoroughly reviewed prior to implementation of the changes.

Current status

See current year finding 2021-001 for the current status of this finding. Management understands these limited personnel control deficiencies and will continue to review and implement procedural changes to improve controls as economically feasible.

FINDING 2020-B THIRD-PARTY PAYOR ESTIMATES

Condition

The finding was a material weakness stating the Hospital does not prepare an estimate of the Medicare cost report settlement at the end of every monthly close and did not prepare one as of year-end.

Recommendation

The auditors suggested at the end of each monthly close the Hospital perform a year-to-date Medicare cost report settlement calculation with a corresponding adjustment made as necessary.

Current status

See current year finding 2021-002 for the current status of this finding. An audit adjustment was necessary at December 31, 2021 to adjust the third-party payor settlement amounts.

(Continued)

FINDING 2020-C FINANCIAL STATEMENT PREPARATION - GAAP

Condition

The finding was a material weakness regarding the fact that Hospital management does not currently possess the qualifications to fully accomplish preparation of the Hospital's year-end financial statements in accordance with GAAP without assistance from the auditors.

Recommendation

The auditors suggested management determine whether it is a cost beneficial goal to be able to prepare year-end financial statements in accordance with GAAP with little or no assistance.

Current status

Although a current year finding still exists related to this matter, the Hospital has worked on its overall knowledge base and accounting processes related to this matter. See current year finding 2021-003 for the current status of this finding.

Jewell County
HOSPITAL

September 28, 2022

CORRECTIVE ACTION PLAN

Jewell County Hospital respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of the Independent accounting firm:

Dohman, Akerlund, & Eddy, LLC
PO Box 470
Aurora, NE 68818

Audit period: As of and for the year ended December 31, 2021

The findings from the 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Findings - Financial Statement Audit

2021-001 SEGREGATION OF DUTIES - MATERIAL WEAKNESS

Effect and recommendation

The size of the Hospital and its staff sometimes limits the application of adequate segregation of duties in the following areas: cash account reconciliations, cash receipt/accounts receivable processes, cash disbursements/accounts payable, purchasing and inventory processes and payroll processing. Although compensating controls exist within the Hospital's operations, the accounting controls should be reviewed periodically and consideration should be given to improving segregation of duties and developing procedures which additionally mitigate potential risks. The benefit derived versus the cost of proposed changes should be thoroughly reviewed prior to implementation of the changes.

Views of responsible officials and planned corrective actions

Management understands these limited personnel control deficiencies and will continue to review and implement procedural changes to improve controls as economically feasible.

2021-002 THIRD-PARTY PAYOR ESTIMATES – MATERIAL WEAKNESS

Effect and recommendation

A significant audit adjusting journal entry was required at year-end. The auditors suggest at the end of each monthly close the Hospital perform a year-to-date Medicare cost report settlement calculation with a corresponding adjustment made as necessary. Monthly preparation of such a calculation will provide Hospital management and the Board with more accurate and timely financial information each month to use for decision making.

Views of responsible officials and planned corrective actions

The Hospital does prepare at least one estimated Medicare cost report settlement calculation during each calendar year. The Hospital will consider performing additional estimates this upcoming year.

2021-003 FINANCIAL STATEMENT PREPARATION - GAAP – MATERIAL WEAKNESS

Effect and recommendation

The auditors noted that year-end financial statements, prepared in accordance with GAAP, are currently prepared by Hospital management with assistance from the auditors. They suggested we review our current processes and determine whether it is a cost beneficial goal to be able to prepare year-end financial statements in accordance with GAAP with little or no assistance.

Views of responsible officials and planned corrective actions

Management understands that this is a deficiency, but based on cost/risk analysis, it was determined that it is not economically feasible to contract external assistance for financial statement preparation.

Section III - Findings - Federal Award Programs Audit and Questioned Costs

2021-004 PROVIDER RELIEF FUND GENERAL AND TARGETED DISTRIBUTION REPORTING REQUIREMENTS – COMPLIANCE FINDING

Program

CFDA Number 93.498
U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund

Effect and recommendation

Management reported nearly $908,000 in the Other Assistance section of the provider relief reporting form for Period 1. During audit testing, the auditors noted the Hospital received approximately $223,000 in additional grants for COVID-19 that were inadvertently not reported in this section as required. This reporting error does not appear to have affected the final total amount of expenditures reported as allowable under the Provider Relief Fund. Additionally, the auditors noted management did not complete the Facility Metrics section of the provider relief form. The auditors suggest management should further review the specific Provider Relief Fund program reporting requirements to assure all applicable reporting requirements are met for future reporting periods.

Views of responsible officials and planned corrective actions

Management agrees with the noted finding. We inadvertently missed reporting a couple of grants in the other assistance received category of the PRF reporting form. We will continue to monitor and enhance our internal controls over federal award compliance to ensure that all reporting requirements are met in future filings.

Anticipated completion date

Ongoing

For any questions regarding this plan, please call Doyle McKimmy at (785) 378-3137.

Sincerely,
Jewell County Hospital

Doyle L. McKimmy

Doyle McKimmy
Administrator