Fayette County Memorial Hospital

Financial Report
with Supplemental Information
May 1, 2021

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Fayette County Memorial Hospital
1430 Columbus Avenue
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of Fayette County Memorial Hospital, Fayette County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2021 through May 1, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Fayette County Memorial Hospital is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2022

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Independent Auditor's Report

To the Board of Trustees
Fayette County Memorial Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Fayette County Memorial Hospital (the "Hospital"), a component unit of Fayette County, Ohio, as of May 1, 2021 and for the period from January 1, 2021 through May 1, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fayette County Memorial Hospital as of May 1, 2021 and the changes in net position and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13 to the financial statements, effective May 1, 2021, the Hospital's operations were disposed of to a nonprofit corporation. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Fayette County Memorial Hospital

Required Supplemental Information

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

Management has omitted 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022 on our consideration of Fayette County Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Fayette County Memorial Hospital's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 22, 2022

Statement of Net Position

	May 1, 2021
Current Assets	
Cash and cash equivalents	$ -
Accounts receivable - Net	-
Inventory	-
Notes receivable	-
Estimated third-party payor settlements	-
Other current assets	-
Assets Limited as to Use	-
Capital Assets (Note 3)	
Nondepreciable capital assets	-
Depreciable capital assets	-
Total capital assets	-
Less accumulated depreciation	-
Net capital assets	-
Total assets	-
Deferred Outflows of Resources Related to Pension and Other Postemployment Benefits (Notes 8 and 9)	-
Total assets and deferred outflows of resources	**$ -**
Current Liabilities	
Accounts payable	$ -
Current portion of long-term debt (Note 5)	-
Estimated third-party payor settlements	-
Accrued liabilities and other:	
Accrued compensation and other accrued liabilities	-
Accrued compensated absences	-
Accrued claims liability (Note 7)	-
Medicare advance payments (Note 12)	-
Total current liabilities	-
Noncurrent Liabilities	
Long-term debt - Net of current portion (Note 5)	-
Net pension and other postemployment benefits liability (Notes 8 and 9)	-
Accrued claims liability (Note 7)	-
Total liabilities	-
Deferred Inflows of Resources Related to Pension and Other Postemployment Benefits (Notes 8 and 9)	-
Net Position	-
Total liabilities, deferred inflows of resources, and net position	**$ -**

Fayette County Memorial Hospital

Statement of Revenue, Expenses, and Changes in Net Position

	Period from January 1, 2021 through May 1, 2021
Operating Revenue	
Net patient service revenue	$ 18,900,106
Other	427,522
Total operating revenue	19,327,628
Operating Expenses	
Salaries and wages	7,730,908
Employee benefits and payroll taxes (Notes 9 and 8)	(12,074,050)
Operating supplies and expenses	3,892,208
Professional services and consultant fees	3,604,196
Insurance	145,313
Utilities	271,140
Leases and rentals	250,887
Maintenance and repairs	602,013
Depreciation	433,379
Other	667,693
Total operating expenses	5,523,687
Operating Income	13,803,941
Other Income (Expense)	
Contributions	123,330
Realized gain on sale of investments	18,135
Other income	41,660
Change in unrealized investment gain	16,136
Interest expense	(30,302)
Other expense	(3,839)
Total other income	165,120
Income - Before disposal of operations	13,969,061
Gain on Disposal of Operations	20,386,024
Increase in Net Position	34,355,085
Net Position (Deficit) - Beginning of period	(34,355,085)
Net Position - End of period	**$ -**

See notes to financial statements.

Statement of Cash Flows

	Period from January 1, 2021 through May 1, 2021
Cash Flows from Operating Activities	
Cash received from patients and third-party payors	$ 17,820,038
Cash payments to suppliers for services and goods	(10,794,138)
Cash payments to employees	(10,085,387)
Other operating revenue received	427,522
Net cash used in operating activities	(2,631,965)
Cash Flows Provided by Noncapital Financing Activities - Donations and other	119,491
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(140,897)
Principal payments on notes payable	(165,057)
Disposal of operations	(9,092,621)
Net cash used in capital and related financing activities	(9,398,575)
Cash Flows from Investing Activities	
Investment income	34,271
Change in assets limited as to use - Net	597,335
Rental receipts - Net of expenses paid	41,660
Net cash provided by investing activities	673,266
Net Decrease in Cash and Cash Equivalents	(11,237,783)
Cash and Cash Equivalents - Beginning of period	11,237,783
Cash and Cash Equivalents - End of period	**$ -**

A reconciliation of operating income to net cash and cash equivalents from operating activities is as follows:

Cash Flows from Operating Activities	
Operating income	$ 13,803,941
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	433,379
Provision for bad debts	1,535,601
Changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources:	
Accounts receivable	(2,625,157)
Estimated third-party settlements	197,594
Inventory	(48,671)
Other assets	(802,637)
Accounts payable	199,371
Other accrued liabilities	(1,104,312)
Net pension and other postemployment liability	(14,032,968)
Medicare advance payments	(188,106)
Net cash used in operating activities	**$ (2,631,965)**

Note 1 - Nature of Business

Organization and Reporting Entity

Fayette County Memorial Hospital (the "Hospital"), a component of the County of Fayette, Ohio (the "County"), located in Washington Courthouse, Ohio, was a general short-term, acute-care facility and operated by a board of trustees. The Hospital's activity was reflected as an enterprise fund in the County's financial statements. In December 2005, the Hospital obtained critical access status. The Hospital's primary mission was to provide health care services to the citizens of Fayette County, Ohio and the surrounding area. Members of the board of trustees are appointed by the county commissioners, the probate court judge, and the common pleas judge.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital. They do not purport to, and do not, present the financial position of the County as of May 1, 2021 and the changes in the County's financial position and cash flows for the period from January 1, 2021 through May 1, 2021 in conformity with accounting principles generally accepted in the United States of America.

On May 1, 2021, the Hospital’s operations were disposed of and transferred to a nonprofit corporation in Chillicothe, Ohio. The hospital operations were undertaken by the nonprofit corporation in order to increase efficiency and effectiveness of hospital operations and to provide for the ongoing delivery of health care services to the citizens of Fayette County, Ohio and surrounding areas.

Effective with the disposal, due to the Hospital no longer participating in the Ohio Public Employees Retirement System (OPERS) as of May 1, 2021, the related deferred outflows, net pension asset, deferred inflows, and net pension and OPEB liabilities were no longer required to be recorded on the Hospital’s statement of net position. Assets related to Emergency Medical Services were no longer required to be recorded on the Hospital's statement of net position as they were transferred to the County of Fayette, Ohio. All remaining assets and liabilities were transferred to the nonprofit corporation.

The accompanying financial statements are presented as of May 1, 2021 and for the period from January 1, 2021 through May 1, 2021.

Note 2 - Significant Accounting Policies

Blended Component Unit

The accompanying financial statements include the accounts of Fayette County Memorial Hospital and its blended component unit, Fayette County Memorial Hospital Foundation (the "Foundation") (hereafter collectively referred to as the "Hospital"). The Foundation is a separate not-for-profit entity that was organized during 2010 to support the operations of the Hospital. Although the Foundation was organized for the benefit of the Hospital, simultaneously with the disposal of the Hospital's operations on May 1, 2021, the Foundation was transferred to the related foundation of the nonprofit corporation in Chillicothe, Ohio (see Note 11). The Foundation is no longer a component unit of the Hospital as of May 1, 2021.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Hospital followed the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Hospital's financial activities. The accompanying financial statements have been prepared using the economic resource measurement focus.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, money markets, certificates of deposit, and investments in highly liquid investments with an original maturity of three months or less when purchased, excluding those amounts included in assets limited as to use. As of May 1, 2021, there were no cash and cash equivalents.

Patient Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies were based on gross charges. An allowance for uncollectible accounts was established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors were based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts were written off against the allowance for doubtful accounts in the period in which they were determined to be uncollectible. An allowance for contractual adjustments and interim payment advances was based on expected payment rates from payors based on current reimbursement methodologies. This amount also included amounts received as interim payments against unpaid claims by certain payors.

For receivables associated with self-pay patients, which included both patients without insurance and patients with deductible and copayment balances due for which third-party coverage existed for part of the bill, the Hospital recorded a significant provision for bad debts in the period of service on the basis of its past experience, which indicated that many patients are unable or unwilling to pay the portion of their bill for which they were financially responsible. The difference between the standard rates, or the discounted rates, if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted were charged off against the allowance for doubtful accounts.

Inventories

Inventories, which consisted of medical and office supplies and pharmaceutical products, were stated at cost, determined on a first-in, first-out basis.

Assets Limited as to Use

Assets limited as to use included board-designated assets, assets temporarily restricted by donors, and restricted assets held by the Foundation.

Investments

Investments included equity securities, mutual funds, and corporate bonds, which were recorded at fair value on the statement of net position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) was included in other income when earned.

Capital Assets

Capital assets were stated at cost or, if donated, at estimated acquisition value at the date of receipt. Depreciation was computed using the straight-line method over the estimated useful life of each class of depreciable asset. Equipment under capital lease was amortized on the straight-line method over the estimated useful life of the equipment. Such amortization was included in depreciation in the financial statements. Costs of maintenance and repairs were charged to expense when incurred.

Compensated Absences

Paid time off was charged to operations when earned. Employees accumulated vacation days at varying rates depending on years of service. Employees also earned sick leave benefits at a hospital-determined rate for all employees. Employees were not paid for accumulated sick leave if they left before retirement. However, employees who retired from the Hospital were able to convert accumulated sick leave to termination payments.

Note 2 - Significant Accounting Policies (Continued)

There was no limit on the number of sick leave hours that an employee may accumulate; however, employees were eligible to receive termination payments on only one-fourth of the accumulated sick leave balance, up to a maximum of 240 hours, at the employee's base pay rate as of the retirement date.

Employees accumulated holiday benefits at a hospital-determined rate.

Restricted Resources

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

Classification of Net Position

Net position of the Hospital was classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and was reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable assets represented noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Unrestricted net position was the remaining net position that does not meet the definition of invested in capital or restricted assets.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue

The Hospital had agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements included prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payors, and others. Retroactive adjustments to these estimated amounts were recorded in future periods as final settlements were determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it was in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Net patient service revenue is $18,900,106 for the period from January 1, 2021 through May 1, 2021. Net patient service revenue is net of provision for contractual adjustments of $26,744,445 and bad debt of $1,535,601 for the period ended May 1, 2021.

Revenue from County for Emergency Medical Services

The County approved the use of certain sales tax income to be used to assist the Hospital in funding expenses for emergency medical services provided by the Hospital. The Hospital has recognized income in other operating revenue of $218,000, related to this assistance for the period from January 1, 2021 through May 1, 2021.

Note 2 - Significant Accounting Policies (Continued)

Operating Income (Loss)

For the purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as other income (expense).

Income Taxes

The Hospital, as a political subdivision, was exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Foundation, as a blended component unit, was a tax-exempt organization, as defined under Section 501(c)(3) of the Internal Revenue Code.

Charity Care

The Hospital provided care to patients who met certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital did not pursue collection of amounts determined to qualify as charity care, they were not reported as revenue. Charity care was determined based on established policies, using patient income and assets to determine payment ability. The amount reflected the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services was based on a calculation that applied a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges was calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital estimated that it provided $87,000 of services to indigent patients during the period ended May 1, 2021.

The Hospital participated in the Hospital Care Assurance Program (HCAP), which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled approximately $145,000 for the period ended May 1, 2021 and were reported as net patient service revenue in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Hospital has no deferred outflows of resources as of May 1, 2021.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital has no deferred inflows of resources as of May 1, 2021.

Pension and Other Postemployment Benefit Costs

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan and additions to/deductions from OPERS’ fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Significant Accounting Policies (Continued)

For the purposes of measuring the net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS pension plan and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Contributions

Unconditional promises to give cash and other assets to the Hospital were reported at fair value at the date the promise was received. Conditional promises to give and indications of intentions to give were reported at fair value at the date the gift was received. The Hospital reported gifts of property and equipment as unrestricted support, unless explicit donor stipulations specified how the donated assets were to be used. Gifts of cash or other assets that were to be used to acquire long-lived assets were reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reported the expiration of donor restrictions when the assets were placed in service.

Note 3 - Capital Assets

The cost of capital assets and related depreciable lives for the period from January 1, 2021 through May 1, 2021 are summarized below. All of the capital assets of the Hospital were transferred to the nonprofit corporation in Chillicothe, Ohio or the County.

	Beginning Balance	Additions	Transfers	Retirements upon Disposal	Ending Balance	Depreciable Life - Years
Capital assets not being depreciated:						
Land	$ 433,225	$ -	$ -	$ (433,225)	$ -	
Construction in progress	211,464	33,869	(245,333)	-	-	
Total capital assets not being depreciated	644,689	33,869	(245,333)	(433,225)	-	
Capital assets being depreciated:						
Land improvements	683,659	-	-	(683,659)	-	10-20
Buildings	17,292,199	32,579	-	(17,324,778)	-	15-50
Fixed equipment	2,280,582	-	245,333	(2,525,915)	-	5-20
Major movable equipment	13,565,653	74,451	-	(13,640,104)	-	5-25
Total capital assets being depreciated	33,822,093	107,030	245,333	(34,174,456)	-	
Less accumulated depreciation:						
Buildings	12,178,427	139,694	-	(12,318,121)	-	
Fixed equipment	1,848,990	19,451	-	(1,868,441)	-	
Major movable equipment	11,252,221	271,777	-	(11,523,998)	-	
Land Improvements	641,275	2,457	-	(643,732)	-	
Total accumulated depreciation	25,920,913	433,379	-	(26,354,292)	-	
Total capital assets being depreciated - Net	7,901,180	(326,349)	245,333	(7,820,164)	-	
Total capital assets - Net	$ 8,545,869	$ (292,480)	$ -	$ (8,253,389)	$ -	

Note 4 - Estimated Third-party Settlements

Approximately 69 percent of the Hospital's revenue from patient services was received from Medicare and Medicaid programs for the period from January 1, 2021 through May 1, 2021. The Hospital had agreements with these payors that provided for reimbursement to the Hospital at amounts different from its established rates. A summary of the basis of reimbursement with these third-party payors is as follows:

Medicare

In December 2005, the Hospital was designated as a critical access hospital. As a result, the Hospital was reimbursed based on cost for all acute-care inpatient and outpatient services. Medicare cost reports settled through 2018, with the exception of 2016, are final.

Note 4 - Estimated Third-party Settlements (Continued)

Medicaid

Inpatient acute-care services were reimbursed on a prospective basis using the All Patient Refined Diagnosis Related Group (APR-DRG) system. Outpatient acute-care services were reimbursed on a prospective basis using the Enhanced Ambulatory Patient Groups (EAPG) system.

The Medicaid payment system in Ohio is a prospective one, where rates for the following state fiscal year beginning on July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system was subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

Cost Report Settlements

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. During the period from January 1, 2021 through May 1, 2021, the Hospital recognized a change in estimate of approximately $253,000 due to the difference between original estimates and subsequent revisions due to final settlements and changes in allowance methodology. The change in estimate is included in net patient service revenue in the statement of revenue, expenses, and changes in net position.

Cost report settlements result from the adjustment of interim payments to final reimbursement under Medicare and Medicaid, which are subject to audit by fiscal intermediaries. All future payments related to the programs were transferred to the nonprofit corporation in Chillicothe, Ohio as of May 1, 2021.

Note 5 - Long-term Debt

In April 2015, the Hospital signed an assistance agreement with the county commissioners of Fayette County, Ohio, where the County assisted the Hospital with terminating the 2003 notes. Under this agreement, the County contributed $2,000,000 and the Hospital contributed $481,160 toward the payoff of the notes, and the Hospital was to repay the County the principal plus annual interest of 1.0 percent through 2023. Per the agreement with the County, interest payments were quarterly and principal payments were semiannual, starting in April 2017.

The assistance agreement included certain operational and financial covenants. These covenants included a minimum reserve of cash and cash equivalents to be maintained equal to 75 percent of the remaining repayment amounts on a monthly basis.

The Hospital entered into various noncancelable capital lease agreements for equipment. They expired at various times through 2024 and were collateralized by the equipment leased. The cost of leased equipment was $2,226,134 for the period from January 1, 2021 through May 1, 2021. Accumulated depreciation on the property under capital lease was $1,265,062 for the period from January 1, 2021 through May 1, 2021. Depreciation expense of $71,817 for the period from January 1, 2021 through May 1, 2021 is included in the depreciation amount disclosed in Note 3.

On May 1, 2021, the operations of the Hospital were transferred to a nonprofit corporation in Chillicothe, Ohio. As part of the transfer agreement, the nonprofit corporation in Chillicothe, Ohio was to satisfy the remaining principal and interest due on the existing debt. As of May 1, 2021, no liabilities remain with the Hospital.

Note 5 - Long-term Debt (Continued)

Long-term debt activity from January 1, 2021 through May 1, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions upon Disposal	Ending Balance
Direct borrowings and direct placements:				
Lease obligations	$ 683,278	$ -	$ (683,278)	$ -
Notes payable - Fayette County, Ohio	1,435,220	-	(1,435,220)	-
Paycheck Protection Program loan (Note 12)	4,634,726	-	(4,634,726)	-
Total direct borrowings and direct placements	6,753,224	-	(6,753,224)	-
Other liabilities - Compensated absences	1,673,401	521,100	(2,194,501)	-
Total long-term and other liabilities	$ 8,426,625	$ 521,100	$ (8,947,725)	$ -

Total interest expense for the period from January 1, 2021 through May 1, 2021 was approximately $30,000.

Note 6 - Operating Leases

The Hospital entered into operating lease agreements for equipment, which were set to expire at various times through 2025. All operating leases were transferred to the nonprofit corporation in Chillicothe, Ohio as of May 1, 2021. Operating lease expense totaled approximately $251,000 in the period from January 1, 2021 through May 1, 2021.

Note 7 - Risk Management

Based on the nature of its operations, the Hospital was at times subject to pending or threatened legal actions, which arose in the normal course of its activities.

The Hospital was insured against medical malpractice claims under a claims-made-based policy. The policy covers claims resulting from incidents that occurred during the policy terms, regardless of when the claim was reported to the insurance carrier. Under the terms of the policy, the Hospital bore the risk of the ultimate costs of any individual claim exceeding $1,000,000 or aggregate claims exceeding $3,000,000 for claims asserted in the policy year. In addition, the Hospital had an umbrella policy with an additional $8,000,000 of coverage.

The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represented the Hospital's cost for such claims for the period, and it has been charged to operations as a current expense.

The Hospital was exposed to various risks of loss related to property and general losses, as well as coverage for medical benefits provided to employees. The Hospital purchased commercial insurance for malpractice, general liability, employee medical stop-loss, and workers' compensation claims. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

In the normal course of business, the Hospital was, from time to time, subject to allegations that may or do result in negotiation. Some of these allegations are in areas not covered by commercial insurance, for example, allegations regarding performance of contracts. The Hospital evaluated such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management recorded an estimate of the amount of ultimate expected loss, if any, for each claim. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. All risk management activities were transferred to the nonprofit corporation in Chillicothe, Ohio as of May 1, 2021.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Hospital contributed to the Ohio Public Employees Retirement System. OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS at 277 East Town Street, Columbus, OH 43215-4642 or by calling 800-222-7377.

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15 to 30 years), age (48 to 62 years), and final average salary, using a factor ranging from 1.0 to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500 to $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with one and one-half years of service credits with the plan obtained within the last two and one-half years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost of living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is 3 percent.

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each employer's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans’ 2021 contribution rates on covered payroll were as follows:

	Pension	Postretirement Health Care	Death Benefits	Total
OPERS	14.00 %	- %	- %	14.00 %

Note 8 - Defined Benefit Pension Plan (Continued)

The Hospital's required and actual pension contributions to the plan for the period from January 1, 2021 through May 1, 2021 were approximately $1,107,000.

Net Pension Liability, Deferrals, and Pension Expense

As of May 1, 2021, the Hospital was not considered a contributing member to the plan, so there was no net pension liability, deferred inflows, or deferred outflows. For the period from January 1, 2021 through May 1, 2021, the Hospital recognized pension expense of approximately $1,485,000.

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuation determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2019
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	3.25 percent to 10.75 percent
Inflation	3.25 percent
Investment rate of return	7.20 percent, net of pension plan investment expense
Mortality rates	RP-2014 mortality table

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period of five years ended December 31, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the year ended December 31, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for the year ended December 31, 2020 in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equity	21.00	7.66
Other investments	13.00	4.98

Note 8 - Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued OPERS financial report.

Note 9 - Other Postemployment Benefits

Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health plan, which includes medical, prescription drug program, and Medicare Part B premium reimbursement, for qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit, as described in GASB Statement No. 75.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS at 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides statutory authority, requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2021, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employers. Active members do not make contributions to the OPEB plan.

OPERS’ postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of the postemployment health care benefits. The portion of employer contributions allocated to health care was 0 percent during 2021. The OPERS board of trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or his or her surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Hospital's contribution used to fund postemployment benefits for 2021 was $0.

Note 9 - Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of May 1, 2021, the Hospital was not considered a contributing member to the plan, so there was no net pension liability, deferred inflows, or deferred outflows. For the period from January 1, 2021 through May 1, 2021, the Hospital recognized pension recovery of expense of approximately $14,754,000.

Actuarial Assumptions

The total OPEB liability is based on the results of an actuarial valuation determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2018
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	3.25 percent to 10.75 percent
Inflation	3.25 percent
Investment rate of return	6.00 percent, net of pension plan investment expenses
Mortality rates	RP-2014 mortality table

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16 percent for the year ended December 31, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for the year ended December 31, 2020 in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	36.00 %	1.53 %
Domestic equities	21.00	5.75
Real estate	6.00	5.69
International equities	23.00	7.66
Other investments	14.00	4.90

Note 10 - Self-insured Benefits

As of January 1, 2018, the Hospital entered into an agreement with United Medical Resources Inc. to be self-insured for health claims. As of May 1, 2021, no liabilities remain with the Hospital based on the transfer to the nonprofit in Chillicothe, Ohio. A summary of the changes in this accrual is as follows:

Beginning balance	$ 335,450
Payments	(1,045,404)
Claims	1,042,283
Disposal of operations	(332,329)
Ending balance	$ -

Note 11 - Blended Component Unit

The financial statements include the Foundation, a separate entity organized to support the operations of the Hospital as a blended component unit. As of May 1, 2021, the Foundation was transferred (via a member substitution) to the foundation supporting the nonprofit organization in Chillicothe, Ohio into which the Hospital was transferred to on May 1, 2021. The following is a summary of the financial position and activities of the entity as of May 1, 2021 and for the period from January 1, 2021 through May 1, 2021:

Assets Limited as to Use	$ -
Net Position	
Restricted - Expendable for capital improvements and other purposes	$ -
Unrestricted	-
Total net position	$ -
Other Income (Expense)	
Contributions	$ 38,981
Other expense	(3,839)
Total other income	$ 35,142
Increase in Net Position - Before loss on disposal of operations	$ 35,142
Loss on Disposal of Operations	(396,573)
Net Position - Beginning of period	361,431
Net Position - End of period	$ -

Note 12 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the second quarter of 2020, the Hospital's operations were significantly impacted, as shelter-in-place orders and a government mandate to suspend elective procedures reduced volumes during the period. The Hospital mitigated the impact by managing workforce productivity, delaying capital expenditures, actively managing cash disbursements, and implementing other cost-reduction measures.

Enacted on March 27, 2020, the CARES Act was established, which authorized $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds was to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Furthermore, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19.

Paycheck Protection Program (PPP)

During 2020, the Hospital received a PPP loan in the amount of $4,634,726. The PPP loan program was created under the CARES Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Hospital could use the funds on qualifying expenses over a covered period up to eight weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Hospital’s loan exceeded $2 million, the SBA will review the Hospital’s loan file, which will include review of the Hospital’s eligibility for the program and the good-faith certification of the necessity of the loan.

Prior to May 1, 2021, the Hospital applied for forgiveness, and, subsequent to May 1, 2021, the Hospital received notification of forgiveness of $4,010,237 of the loan from the SBA. The portion of the loan not forgiven will be repaid under the terms of the PPP loan agreement with the lender by the nonprofit organization in Chillicothe, Ohio.

Although management considers it probable that the Hospital was initially eligible for the loan and subsequent forgiveness, the SBA has the ability to review the Hospital’s loan file for a period subsequent to the date the loan was forgiven and could request additional documentation to support the Hospital’s initial eligibility for the loan and the request for loan forgiveness. In the event the SBA subsequently determines the Hospital did not meet the initial eligibility requirements for the PPP loan or did not qualify for forgiveness, the SBA may pursue legal remedies at its discretion.

Note 12 - COVID-19 Pandemic (Continued)

Medicare Advance Payments

During 2020, the Hospital requested accelerated Medicare payments, as provided for in the CARES Act, which allows for eligible health care facilities to request up to 6 months of accelerated Medicare payments for acute-care hospitals. The repayment terms of the accelerated Medicare payments began one year after the first payment was issued, at which point these amounts are to be repaid at 25 percent of the Medicare payments to the Hospital for 11 months. After 11 months, the recoupment increases to 50 percent of the Medicare payments for 6 additional months (or until all amounts are repaid). Any unapplied accelerated payment amounts that are unpaid after this 17-month period are due to CMS, plus interest at a rate of 4 percent on the outstanding balance. The Hospital received approximately $800,000 from these accelerated Medicare payment requests in 2020 and paid back approximately $188,000 during April 2021. As of May 1, 2021, the remaining liability of approximately $612,000 was transferred to the nonprofit corporation in Chillicothe, Ohio, and no liabilities remain with the Hospital.

Note 13 - Disposal of Operations

As discussed in Note 1, on May 1, 2021, the Hospital's operations were disposed of to a nonprofit corporation. The disposal was transacted through an asset purchase agreement, which resulted in the buyer acquiring all of the assets and the operations and assuming all of the liabilities, excluding the pension and OPEB liabilities and Emergency Medical Services assets.

The assets and liabilities that were part of the above-noted transaction on May 1, 2021 approximated the following:

Assets:	
Cash and cash equivalents	$ 7,293,000
Accounts receivable - Net	7,078,000
Inventory	1,112,000
Notes receivable	1,199,000
Other current assets	1,050,000
Total current assets	17,732,000
Assets limited as to use	1,373,000
Capital assets - Net	7,925,000
Total assets	$ 27,030,000
Liabilities:	
Accounts payable	$ 3,789,000
Current portion of long-term debt	4,891,000
Estimated third-party payor settlements	1,524,000
Accrued compensation and other accrued liabilities	1,749,000
Accrued compensated absences	1,198,000
Accrued claims liability	1,065,000
Medicare advance payments	612,000
Total current liabilities	14,828,000
Long-term debt - Net of current portion	1,697,000
Accrued claims liability	1,000,000
Total liabilities	$ 17,525,000

Note 13 - Disposal of Operations (Continued)

As noted above, the pension and OPEB-related assets and liabilities were excluded from the asset purchase agreement; however, because the Hospital no longer employed any individuals nor continued to operate, these assets and liabilities were removed as a part of the transaction. The balances related to pension and OPEB and Emergency Medical Services assets immediately before the transaction approximated to the following:

Assets and deferred outflows of resources:	
Deferred outflows of resources related to pension and other postemployment benefits	$ 6,318,000
Emergency Medical Services assets	327,000
Total assets	$ 6,645,000
Liabilities and deferred inflows of resources:	
Net pension and other postemployment benefits liability	18,607,000
Deferred inflows of resources related to pension and other postemployment benefits	17,559,000
Total liabilities	$ 36,166,000

The removal of these deferred outflows and inflows, as well as the assets and liabilities noted above, resulted in a gain on disposal of operations in the amount of approximately $20,386,000.

Required Supplemental Information

Required Supplemental Information
Schedule of Hospital OPERS Contributions
Fayette County Memorial Hospital

Last Seven Periods or Years

Period Ended May 1, 2021 and Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,106,940	$ 2,813,282	$ 2,891,727	$ 2,683,961	$ 2,548,919	$ 2,590,631	$ 2,753,872
Contributions in relation to the contractually required contribution	1,106,940	2,813,282	2,891,727	2,683,961	2,548,919	2,590,631	2,753,872
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Hospital's Covered Payroll	$ 7,906,712	$ 20,084,276	$ 20,923,101	$ 19,169,352	$ 18,195,949	$ 19,231,676	$ 20,402,903
Contributions as a Percentage of Covered Payroll	14.0 %	14.0 %	14.0 %	14.0 %	14.0 %	14.0 %	14.0 %

See notes to pension and OPEB required supplemental information schedules.

Required Supplemental Information
Schedule of Hospital OPEB Contributions
Fayette County Memorial Hospital

Last Four Periods or Years

Period Ended May 1, 2021 and Years Ended December 31

	2021	2020	2019	2018
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
Hospital's Covered Payroll	$ 7,906,712	$ 20,084,276	$ 20,923,101	$ 16,169,352
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %

*OPERS allocated 0 percent of pension contributions to OPEB in 2021, 2020, 2019, and 2018.

See notes to pension and OPEB required supplemental information schedules.

Required Supplemental Information
Schedule of Hospital's Proportionate Share of the Net Pension Liability
Fayette County Memorial Hospital

Last Six Fiscal Years

Plan Years Ended December 31

	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	- %	0.13000 %	0.13000 %	0.13000 %	0.13000 %	0.14000 %
Hospital's proportionate share of the net pension liability	$ -	$ 24,873,879	$ 36,235,711	$ 19,655,543	$ 29,260,019	$ 24,572,394
Hospital's covered payroll	$ 20,084,276	$ 20,652,496	$ 19,169,363	$ 18,195,949	$ 19,231,676	$ 20,402,903
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	- %	120.44 %	189.03 %	108.02 %	152.14 %	120.44 %
Plan fiduciary net position as a percentage of total pension liability	- %	82.17 %	74.70 %	84.45 %	77.39 %	81.20 %

See notes to pension and OPEB required supplemental information schedules.

Required Supplemental Information
Schedule of Hospital's Proportionate Share of Net OPEB Liability
Fayette County Memorial Hospital

Last Four Fiscal Years

Plan Years Ended December 31

	2020	2019	2018	2017
Hospital's proportion of the net OPEB liability	- %	0.13000 %	0.13000 %	0.13000 %
Hospital's proportionate share of the net OPEB liability	$ -	$ 17,390,199	$ 17,190,779	$ 13,958,497
Hospital's covered payroll	$ 20,084,276	$ 20,652,496	$ 20,923,101	$ 19,169,352
Hospital's proportionate share of the net OPEB liability as a percentage of its covered payroll	- %	84.20 %	82.16 %	72.82 %
Plan fiduciary net position as a percentage of total OPEB liability	- %	47.80 %	46.33 %	54.14 %

See notes to pension and OPEB required supplemental information schedules.

Pension Information

Benefit Changes

There were no changes of benefit terms in 2020.

Changes in Assumptions

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for 2015-2016. For 2017, the most significant changes of assumptions that affected the net pension liability included a reduction in the investment rate of return from 8.0 percent to 7.5 percent, a decrease in the wage inflation from 3.75 percent to 3.25 percent, and a change in the future salary increase from a range of 4.25 percent to 10.05 percent to a range of 3.25 percent to 10.75 percent. For 2018, the most significant change of assumption that affected the net pension liability included an increase in inflation from 2.5 percent to 3.25 percent. For 2019, the most significant change included a decrease in the investment rate of return from 7.50 percent to 7.20 percent. There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for 2020.

OPEB Information

Benefit Changes

There were no changes of benefit terms in 2020.

Changes in Assumptions

There were no changes of benefit assumptions in 2020.

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

Independent Auditor's Report

To Management and the Board of Trustees
Fayette County Memorial Hospital

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 Fayette County Memorial Hospital (the "Hospital"), which comprise the statement of net position as of May 1, 2021 and the related statements of revenue, expenses, and changes in net position and cash flows for the period from January 1, 2021 through May 1, 2021, and the related notes to the financial statements and have issued our report thereon dated February 22, 2022.

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 Hospital'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 preceding paragraph 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 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 Hospital's Response to Finding

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Trustees
Fayette County Memorial Hospital

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.

Plante & Moran, PLLC

February 22, 2022

Financial Statement Audit Findings

Reference Number	Finding
2021-001	**Finding Type** - Material weakness in internal control over financial reporting
	Criteria - Federal laws and regulations (SBA Procedural Notice 5000-20057) include requirements for governing loans provided under the Small Business Administration (SBA) Paycheck Protection Program (PPP) and require borrowers to consider reporting requirements in advance of any change in ownership activity in order to maintain compliance for the forgivable loan program.
	Condition - The Hospital did not fully evaluate the applicable SBA change in ownership rules prior to the acquisition date by another nonprofit corporation.
	Context - During 2020, the Hospital received a PPP loan of $4,634,726. In 2021, the Hospital was acquired by another nonprofit corporation and did not inform the bank that was holding the SBA loan at the time of the acquisition.
	Cause - The Hospital did not have controls in place to adequately consider reporting requirements for acquisitions of parties that had received a Paycheck Protection Program loan.
	Effect - The Hospital did not notify the lender or SBA, in accordance with the SBA Procedural Notice 5000-20057, related to the change in ownership that occurred during the period.
	Recommendation - The Hospital should have controls in place to fully evaluate the SBA's program requirements for the PPP loan received.
	Views of Responsible Officials and Planned Corrective Actions - The Hospital has received forgiveness of over $4,000,000 of the loan subsequent to the acquisition, and, as such the Hospital does not believe further action is needed.

OHIO AUDITOR OF STATE
KEITH FABER

FAYETTE COUNTY MEMORIAL HOSPITAL

FAYETTE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 7/12/2022

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