

**HIGHLAND COUNTY JOINT TOWNSHIP
DISTRICT HOSPITAL AND AFFILIATES
(HIGHLAND COUNTY)**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Governors
Highland County Joint Township District Hospital
1275 North High Street
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Highland County Joint Township District Hospital, Highland County, prepared by Blue & Co., LLC, for the audit period January 1, 2020 through December 31, 2020. 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. The Highland County Joint Township District Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 08, 2021

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HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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REPORT OF INDEPENDENT AUDITORS

Board of Governors
Highland County Joint Township District Hospital and Affiliates
Hillsboro, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Highland County Joint Township District Hospital and Affiliates (the Hospital), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining audit evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Board of Governors
Highland County Joint Township District Hospital and Affiliates
Hillsboro, Ohio

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2019, were audited by other auditors whose report dated May 11, 2020, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* on pages i through ix and the Required Supplemental Information on Government Accounting Standards Board (GASB) 68 Pension Liabilities and GASB 75 Other Postemployment Benefit Liabilities on pages 51 through 54, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the GASB considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting 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 opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2021 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Bene G, LLC

Westerville, Ohio
August 3, 2021

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The discussion and analysis of Highland County Joint Township District Hospital and its blended component units, Highland District Hospital Professional Services Corporation, Highland District Hospital Foundation and Highland Joint Township District Hospital Foundation (collectively, the Hospital) provides an overview of the Hospital's financial activities for the year ended December 31, 2020, 2019, and 2018.

Financial Highlights

- The Hospital's net position increased \$2,512,064 in 2020 and decreased by \$2,066,612 in 2019.
- The Hospital reported an operating loss of \$732,185 in 2020 and \$2,419,530 in 2019.
- Total operating revenues increased from 2019 to 2020 by \$740,357 or 1.4%. Total operating revenues increased from 2018 to 2019 by \$2,508,782 or 5.2%.
- The Hospital had a decrease in operating expense of \$946,988 or 1.8% in 2020 and an increase of \$5,561,338 or 11.6% in 2019. Included in the operating expenses for 2020 was \$3,779,684 and \$1,819,113 of expense relating to continued impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68), and GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75), respectively. Operating expenses for 2019 included expense of \$6,923,842 and \$1,386,022 relating to GASB 68 and 75, respectively.
- The Hospital recognized noncapital grants income of \$2,272,777 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other stimulus funding legislation in 2020 to provide relief from financial impacts due to the coronavirus (COVID-19) pandemic.

Using This Annual Report

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

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

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall financial health.

Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred outflows and inflows of resources. In 2020, the Hospital's net position increased by \$2,512,064. As noted on page i, \$2,272,777 of this increase related to CARES Act funding, offset by \$5,598,797 related to the annual expenses associated with GASB 68 and 75. In 2019, the Hospital's net position decreased by \$2,066,612. As noted on page i, \$8,309,864 of this decrease related to the annual expenses associated with GASB 68 and 75.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of the Hospital as of December 31, 2020, 2019, and 2018:

	December 31		
	2020	2019	2018
Assets and deferred outflows of resources			
Current assets	\$ 23,118,150	\$ 12,099,897	\$ 13,476,827
Noncurrent assets	17,569,993	25,080,261	31,969,952
Capital assets, net	33,273,871	25,473,500	14,282,745
Deferred outflows - pension	3,516,945	9,181,175	4,412,462
Deferred outflows - other post-employment benefits	2,610,729	1,276,209	970,153
Deferred outflows-other	23,345	53,335	83,100
Total assets and deferred outflows of resources	<u>\$ 80,113,033</u>	<u>\$ 73,164,377</u>	<u>\$ 65,195,239</u>
Liabilities and deferred inflows of resources			
Current liabilities	\$ 13,547,969	\$ 9,322,728	\$ 9,056,146
Long-term liabilities	40,694,333	47,071,268	32,716,327
Deferred inflows-pension	4,828,514	484,648	4,176,283
Deferred inflows - other post-employment benefits	2,285,501	41,081	935,219
Total liabilities and deferred outflows of resources	<u>\$ 61,356,317</u>	<u>\$ 56,919,725</u>	<u>\$ 46,883,975</u>
Net position			
Net investment in capital assets	\$ 31,578,871	\$ 22,868,500	\$ 10,777,745
Restricted	1,132,446	933,336	1,139,717
Unrestricted	(13,954,601)	(7,557,184)	6,393,802
Total net position	<u>\$ 18,756,716</u>	<u>\$ 16,244,652</u>	<u>\$ 18,311,264</u>

The most significant change in the Hospital's net position in 2020, 2019 and 2018 was the result of operations during the years and the effects of GASB 68 and GASB 75.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Results and Changes in Net Position

The following is a comparative analysis of the statements of revenues and expenses and changes in net position for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31		
	2020	2019	2018
Operating revenues			
Net patient service revenue	\$ 50,774,514	\$ 50,001,751	\$ 47,544,198
Other operating revenue	1,109,943	1,142,349	1,091,120
Total operating revenues	<u>51,884,457</u>	<u>51,144,100</u>	<u>48,635,318</u>
Operating expenses			
Salaries and wages	20,065,992	19,973,853	19,709,262
Employee benefits	3,302,668	3,559,817	3,883,710
Pension	3,779,684	6,923,842	3,976,463
Other post-employment benefits	1,819,113	1,386,022	994,664
Supplies	9,071,335	7,996,451	7,254,807
Purchased services	6,003,693	5,515,687	5,446,585
Physician fees	3,480,652	3,504,770	2,144,536
Depreciation and amortization	2,653,775	2,255,948	2,244,357
Professional fees	177,413	136,699	157,017
Utilities	818,358	839,512	905,303
Insurance	285,502	273,663	293,465
Franchise fees	756,937	620,653	418,417
Other operating expense	401,520	576,713	573,706
Total operating expenses	<u>52,616,642</u>	<u>53,563,630</u>	<u>48,002,292</u>
Operating income (loss)	(732,185)	(2,419,530)	633,026
Non-operating gains (losses)			
Investment income	773,749	1,136,173	563,686
Grant expense	(250,000)	(900,000)	(1,225,000)
Interest expense	(89,819)	(148,781)	(184,896)
Noncapital grants and gifts	2,659,457	263,095	480,446
Other non-operating gains (losses)	150,862	2,431	-
Total non-operating gains (losses)	<u>3,244,249</u>	<u>352,918</u>	<u>(365,764)</u>
Excess (deficiency) of revenues over expenses	2,512,064	(2,066,612)	267,262
Capital gifts	-	-	444,433
Change in net position	2,512,064	(2,066,612)	711,695
Net position - beginning of year	<u>16,244,652</u>	<u>18,311,264</u>	<u>17,599,569</u>
Net position - end of year	<u>\$ 18,756,716</u>	<u>\$ 16,244,652</u>	<u>\$ 18,311,264</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

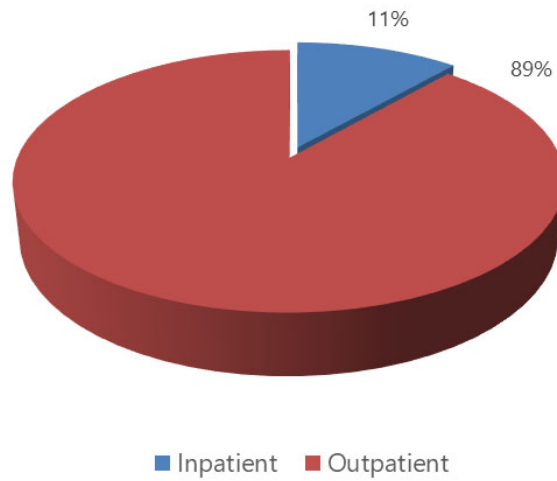
Operating Revenues

Operating revenues include all transactions in the sales and/or receipts from goods and services such as inpatient services, outpatient services, and physician offices.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$772,763 or 1.5% from 2019 to 2020.
- Net patient service revenue increased \$2,457,553 or 5.2% from 2018 to 2019.

The following is a graphic illustration of patient revenues by source:



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

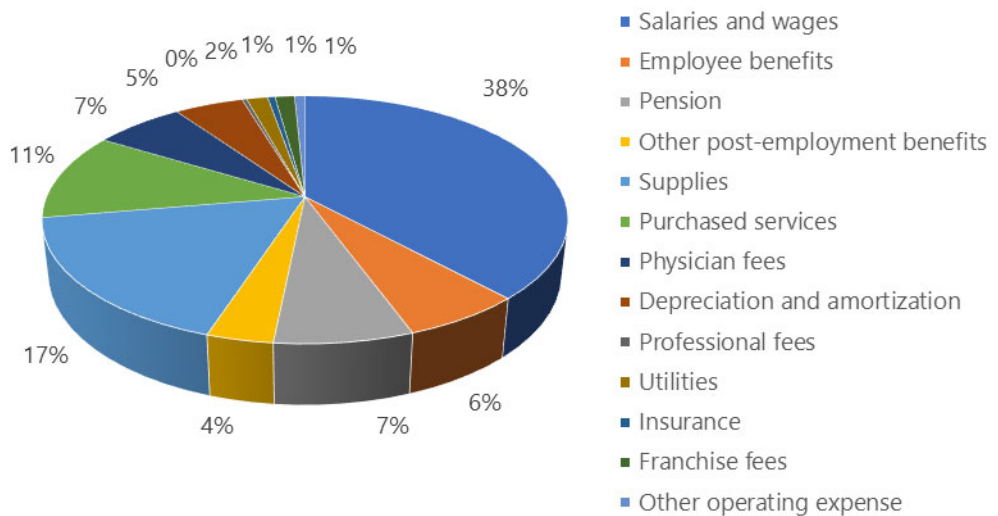
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purpose of the Hospital. The significant operating expense changes were the result of the following factors:

- Pension expense decreased approximately \$3,144,000, or 45.4%, as a result of changes in the Hospital's proportionate share in the Ohio Public Employees Retirement System (OPERS) retirement plans.
- Supplies increased approximately \$1,075,000, or 13.4%, primarily as a result of COVID-19 supplies and testing.

The following is a graphic illustration of operating expenses by type:



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Sources of Revenue

The Hospital derives substantially all of its revenue from patient services and other related activities. Revenues include, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations, and managed care programs.

The Hospital provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined by the related Federal and State regulations. Provisions have been made in the financial statements for contractual adjustments which represent the difference between the standard charges for services and the actual or estimated reimbursement.

Non-operating Gains (Losses)

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income, including interest income, realized and unrealized gains and losses, grant income and expense, and interest expense. The change in other non-operating gains from 2019 to 2020 was primarily due to noncapital grant income received for COVID-19 financial relief.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its need for financing

	Year Ended December 31		
	2020	2019	2018
Cash provided by (used in):			
Operating activities	\$ 2,124,081	\$ 4,780,505	\$ 5,719,101
Capital and related financing activities	(11,442,009)	(13,283,141)	(4,009,804)
Noncapital financing activities	11,458,744	(614,392)	(1,519,554)
Investing activities	8,503,518	7,780,691	117,503
Total	10,644,334	(1,336,337)	307,246
Cash - beginning of year	3,512,038	4,848,375	4,541,129
Cash - end of year	\$ 14,156,372	\$ 3,512,038	\$ 4,848,375

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Participation in the Ohio Public Employees Retirement System

As discussed in Note 13 and 14 to the financial statements, the Hospital participates in the OPERS which includes multiple-employer cost-sharing defined benefit and defined contribution pension retirement plans, as well as a multiple-employer cost-sharing defined benefit plan offering postemployment benefits other than pensions.

The Ohio Revised Code establishes statutory authority for determining employer contributions to the state's cost-sharing retirement plans. The Hospital remits the statutorily required contributions to the retirement system in the month subsequent to the related pay periods. These statutorily required contributions constitute the full legal funding requirements of the Hospital for the participation of its employees in the pension and other post-employment benefits (OPEB) retirement plans. Although accounting standards require the recognition of the net pension and OPEB liability, net pension asset, and the related deferred outflows of resources, deferred inflows of resources, and additional actuarially determined defined benefit pension and defined benefit OPEB expense, they do not represent legal claims on the Hospital's resources and there are no additional cash flows or funding requirements outside of the statutorily required contributions.

Capital Asset and Debt Administration

At December 31, 2020 and 2019, the Hospital had \$33,273,871 and \$25,473,500, respectively, invested in capital assets, net of accumulated depreciation. The Hospital acquired or constructed capital assets in the amount of \$10,485,876 and \$13,472,685 during 2020 and 2019, respectively.

Long-Term Debt Obligations

At December 31, 2020 and 2019, the Hospital had \$1,695,000 and \$2,605,000, respectively, in revenue bonds, outstanding. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings in the past two years. In 2007, the Hospital entered into a pay-fixed, receive-variable interest rate swap with a fixed rate of 3.942%, which terminates on December 1, 2021. The fair value of the swap as of December 31, 2020 and 2019 was a liability of \$23,345 and \$53,335, respectively. During 2020, the Hospital received forgivable loans of \$4,446,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. More detailed information about the Hospital's long-term debt obligations are further discussed in Note 10 to the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Economic Factors that Will Affect the Future

The Hospital will be impacted by outside factors into the future. Some of these factors may include:

- Changes in the local economy, which may cause volumes to significantly increase or decrease. Bad debts, charity care, financial mix and utilization may also be impacted.
- Federal and state governmental budget changes, which could change the funding for Medicare and Medicaid.
- The Patient Protection and Affordable Care Act (PPACA) continues to be scrutinized by congress. Changes or delays could have an impact on the Hospital's net patient service revenue going forward.
- Physician relationships/alignment will continue to develop, and impact quality, cost, and services to the community.
- During 2020, the spread of COVID-19 had and continues to cause business disruption through reduced patient service revenue, specifically related to elective procedures and physician office visits. The continued financial impact and duration cannot be reasonably estimated at this time.

The Hospital will continue to meet these challenges in healthcare through improved efficiencies, continued quality improvement, physician and staff relations, and technology.

Contacting the Hospital's Management

This financial report is intended to provide the reader with a general overview of the Hospital's finances. If you have questions about this report or need additional information, we welcome you to contact the President/CEO and Vice President of Finance/ CFO at 1275 North High Street, Hillsboro, Ohio 45133.

Meghann Ackley
Chief Financial Officer

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current assets		
Cash and cash equivalents	\$ 13,613,201	\$ 3,214,960
Assets limited as to use, current portion	299,739	295,400
Patient accounts receivable, net of allowances for uncollectible accounts; \$3,696,178 and \$5,525,650 as of December 31, 2020 and 2019, respectively	7,138,691	7,040,697
Contribution receivables	1,000	90,800
Note receivables, current portion	177,013	168,398
Other receivables	824,095	334,971
Supplies	544,898	487,421
Prepaid expenses and other current assets	519,513	467,250
Total current assets	23,118,150	12,099,897
Assets limited as to use		
Internally designated for specific purpose	467,871	2,430,790
Restricted by donors for capital improvements	516,679	386,868
Held by trustee under bond indenture agreements	299,739	295,400
Less amounts to meet current obligations	(299,739)	(295,400)
Total assets limited as to use, net current portion	984,550	2,817,658
Long-term investments	15,814,321	21,469,228
Note receivables, net current portion	456,094	633,107
Capital assets, net	33,273,871	25,473,500
Net pension asset	315,028	160,268
Total assets	73,962,014	62,653,658
Deferred outflows of resources		
Pension	3,516,945	9,181,175
Other post-employment benefits	2,610,729	1,276,209
Other deferred outflows	23,345	53,335
Total deferred outflows of resources	6,151,019	10,510,719
Total assets and deferred outflows of resources	\$ 80,113,033	\$ 73,164,377

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2020 AND 2019

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Current liabilities		
Current maturities of long-term debt	\$ 4,899,306	\$ 2,605,000
Accounts payable	1,981,322	3,425,772
Accrued expenses	1,667,942	1,802,867
Estimated amounts due to third-party payors	535,018	1,489,089
Refundable advances	4,464,381	-
Total current liabilities	13,547,969	9,322,728
Long-term debt, net current portion	1,241,694	-
Interest rate swap agreement	23,345	53,335
Accrued compensated absences	1,369,399	1,311,523
Net pension liability	22,010,071	30,565,799
Net other post-employment liability	16,049,824	15,140,611
Total liabilities	54,242,302	56,393,996
Deferred inflows of resources		
Pension	4,828,514	484,648
Other post-employment benefits	2,285,501	41,081
Total deferred inflows of resources	7,114,015	525,729
Total liabilities and deferred inflows of resources	61,356,317	56,919,725
Net position		
Net investment in capital assets	31,578,871	22,868,500
Restricted - expendable for		
Capital improvements	517,679	477,668
Debt service	299,739	295,400
Pensions	315,028	160,268
Unrestricted	(13,954,601)	(7,557,184)
Total net position	18,756,716	16,244,652
Total liabilities, deferred inflows of resources and net position	\$ 80,113,033	\$ 73,164,377

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating revenues		
Net patient service revenue	\$ 50,774,514	\$ 50,001,751
Other operating revenue	1,109,943	\$ 1,142,349
	51,884,457	51,144,100
Operating expenses		
Salaries and wages	20,065,992	19,973,853
Employee benefits	3,302,668	3,559,817
Pension	3,779,684	6,923,842
Other post-employment benefits	1,819,113	1,386,022
Supplies	9,071,335	7,996,451
Purchased services	6,003,693	5,515,687
Physician fees	3,480,652	3,504,770
Depreciation and amortization	2,653,775	2,255,948
Professional fees	177,413	136,699
Utilities	818,358	839,512
Insurance	285,502	273,663
Franchise fees	756,937	620,653
Other operating expense	401,520	576,713
	52,616,642	53,563,630
Operating loss	(732,185)	(2,419,530)
Non-operating gains (losses)		
Investment income	773,749	1,136,173
Grant expense	(250,000)	(900,000)
Interest expense	(89,819)	(148,781)
Noncapital grants and gifts	2,659,457	263,095
Other non-operating gains (losses)	150,862	2,431
	3,244,249	352,918
Change in net position	2,512,064	(2,066,612)
Net position - beginning of year	16,244,652	18,311,264
Net position - end of year	\$ 18,756,716	\$ 16,244,652

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 49,722,449	\$ 49,069,159
Cash paid to employees for wages and benefits	(22,549,600)	(26,174,752)
Cash paid to vendors for services and goods	(25,927,785)	(19,886,465)
Other receipts (payments), net	879,017	1,772,563
Net cash provided by operating activities	2,124,081	4,780,505
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(10,485,876)	(12,240,260)
Proceeds from sale of capital assets	43,686	5,900
Principal payments on long-term debt	(910,000)	(900,000)
Interest paid on long-term debt	(89,819)	(148,781)
Net cash used in capital and related financing activities	(11,442,009)	(13,283,141)
Cash flows from noncapital financing activities		
Proceeds from Paycheck Protection Program loan	4,446,000	-
Noncapital grants and gifts	7,123,838	263,095
Other noncapital financing receipts and payments, net	(111,094)	(877,487)
Net cash provided by (used in) noncapital financing activities	11,458,744	(614,392)
Cash flows from investing activities		
Interest and dividends on investments	453,987	1,150,583
Purchase of investments and assets limited as to use	-	(18,506,035)
Proceeds from sale and maturity of investments and assets limited as to use	8,049,531	25,136,143
Net cash flows provided by investing activities	8,503,518	7,780,691
Change in cash and cash equivalents	10,644,334	(1,336,337)
Cash and cash equivalents - beginning of year	3,512,038	4,848,375
Cash and cash equivalents - end of year	\$ 14,156,372	\$ 3,512,038
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 13,613,201	\$ 3,214,960
Cash included in assets limited as to use	543,171	297,078
Total	\$ 14,156,372	\$ 3,512,038
Supplemental cash flow information		
Change in fair value of interest rate swap	\$ (29,990)	\$ (29,765)
Capital asset acquisitions in accounts payable	\$ -	\$ 1,232,425

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

A reconciliation of operating loss to net cash from operating activities follows:

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (732,185)	\$ (2,419,530)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	2,653,775	2,255,948
Provision for uncollectible accounts	5,358,797	7,941,328
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(5,456,791)	(8,292,432)
Estimated amounts due from and to third-party payors	(954,071)	(581,488)
Net pension asset and net pension liability	(8,710,488)	13,098,320
Net other post-employment benefits liability	909,213	2,586,217
Deferred outflows of resources - pension	5,664,230	(4,768,713)
Deferred outflows of resources - other post employment benefits	(1,334,520)	(306,056)
Deferred inflows of resources - pension	4,343,866	(3,691,635)
Deferred inflows of resources - other post-employment benefits	2,244,420	(894,138)
Other assets and liabilities	(1,862,165)	(147,316)
Net cash provided by operating activities	\$ 2,124,081	\$ 4,780,505

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Organization and Principles of Combination

Highland County Joint Township District Hospital is a critical access hospital located in Hillsboro, Ohio. The Highland County Joint Township District Hospital is a political subdivision of the State of Ohio and was formed under the provisions of the Ohio revised code. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township District Hospital Board of Trustees who appoints the Highland County Joint Township District Hospital Board of Governors, which is composed of one member from each township and three at-large members. Highland County Joint Township District Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Highland County area. It also operates a home health agency in the same geographic area.

In 1999, Highland County Joint Township District Hospital formed Highland District Professional Services Corporation (PSC) and Highland District Hospital Foundation, Inc. (HDH Foundation) as not-for-profit corporations under Internal Revenue Code Section 501(c)(3). HDH Foundation is controlled by Highland County Joint Township District Hospital's Board of Trustees and was formed to promote health in Highland County, Ohio and surrounding areas and serve for the exclusive benefit of Highland County Joint Township District Hospital. PSC was formed under HDH Foundation to further the charitable purpose of HDH Foundation and Highland County Joint Township District Hospital. In 2001, Highland County Joint Township District Hospital formed Highland Joint Township District Hospital Foundation (HJTDH Foundation) as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) to raise and hold contributions for the benefit of Highland County Joint Township District Hospital. The financial statements of these organizations have been presented as blended component units. Collectively, Highland County Joint Township District Hospital, PSC, HDH Foundation, and HJTDH Foundation are referred to as the Hospital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at the Hospital's financial activities. The financial statements include PSC, HDH Foundation, and HJTDH Foundation as blended component units in the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows and inflows of resources 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.

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less. Cash and cash equivalents included in assets limited as to use are considered cash and cash equivalents for the purposes of the statements of cash flows.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies.

Supplies

Supplies inventory, which consist of medical and office supplies and pharmaceutical products, are stated at lower of the market or cost, determined on a first-in, first-out basis.

Contributions Receivable

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution income.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Other Receivables

Other receivables consist of refunds from vendors, and receivables from physicians and other third-parties expected to be collected within one year and reported at fair value.

Notes Receivable

Notes receivable relates to loans agreements between the Hospital and Highland Health Providers Corporation (HHPC), a third party. The loans include interest at a rate of 5% and are payable to the Hospital through May 2024.

Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred

Investments

Investments include equity securities, certificates of deposit, and government securities, and are 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) is included in other non-operating gains (losses) on the statements of revenues, expenses and changes in net position when earned.

Assets Limited as to Use

Assets whose use is limited consist of (1) funds designated by the Board of Trustees for future capital improvements and special operating needs over which the Board of Governors retains control and may at its discretion subsequently use for other purposes (2) assets externally restricted by donors and (3) assets held by trustee. Amounts required to meet current obligations are recognized as current assets.

Deferred Outflows of Resources

The Hospital reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Compensated Absences

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

Deferred Inflows of Resources

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Restricted Resources

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

Net Position

The net position of the Hospital is classified in three components: (1) Net invested in capital assets consist of capital assets net of accumulated depreciation and is reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net position are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital; (3) Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenue and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services – The Hospital's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred as a result of providing health care services within the surrounding area.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital.

Charity Care

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

Of the Hospital's total reported expenses (approximately \$52,617,000 and \$53,564,000 during 2020 and 2019, respectively), an estimated \$497,000 and \$223,000 arose from providing services to charity patients during 2020 and 2019, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates 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 \$230,000 and \$581,000 for 2020 and 2019, respectively, and is reported as net patient service revenue in the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support.

Pension and Postemployment Benefits Other Than Pensions (OPEB)

Substantially all of the Hospital's employees are eligible to participate in defined benefit and defined contribution plans sponsored by Ohio Public Employees' Retirement System (OPERS). The Hospital funds pension costs accrued based on contribution rates determined by OPERS. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB expense, information about the net position of the Ohio Public Employees Retirement System (OPERS) and addition to/deduction from the OPERS's net position have been determined on the same basis as they are reported by the OPERS.

Federal Income Tax

Highland County Joint Township District Hospital, as a political subdivision of the State of Ohio, is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. PSC, HDH Foundation, and HJTDH Foundation are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. PSC, HDH Foundation, and HJTDH Foundation are subject to federal income tax on any unrelated business taxable income. During the calendar years ending December 31, 2020 and 2019, the entities did not report any unrelated business income.

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; health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims.

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the changes in net position.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Subsequent Events

The Hospital has evaluated subsequent events through August 3, 2021, the date the financial statements were available to be issued.

3. CHANGE IN ACCOUNTING PRINCIPLE

During 2020, the Hospital implemented *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. See Note 10 for the additional disclosures related to debt.

4. DEPOSITS AND INVESTMENTS

Chapter 135 of the Ohio Uniform Depositor Act authorizes local and governmental units to make deposits in any national bank located in the state subject to inspection by the superintendent of financial institutions eligible to become a public depository. Section 135.14 of the Ohio Revised Code allows the local government to invest in United States treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper, and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the Auditor of State, or by the treasurer or governing board investing in these instruments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Ohio; bonds of any city, county, school district or special road district of the state of Ohio; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

At December 31, 2020 and 2019, \$14,182,619 and \$4,367,620 of the Hospital's bank balances of \$16,024,599 and \$6,760,180 were exposed to custodial credit risk as follows:

	2020	2019
Uninsured and uncollateralized	\$ 793,825	\$ 135,820
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	13,388,794	4,231,800
Total	<u>\$ 14,182,619</u>	<u>\$ 4,367,620</u>

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. government agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2020 and 2019, the Hospital had the following assets whose use is limited, investments and maturities:

December 31, 2020	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
Certificates of deposit	\$ 1,283,669	\$ 1,039,159	\$ 244,510
U.S. government agency bonds	15,049,146	271,260	14,777,886
	16,332,815	<u>\$ 1,310,419</u>	<u>\$ 15,022,396</u>
Corporate stocks	222,624		
Total	<u>\$ 16,555,439</u>		

December 31, 2019	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
Certificates of deposit	\$ 1,679,016	\$ 773,997	\$ 905,019
U.S. treasury obligations	402,886	402,886	-
U.S. government agency bonds	22,003,466	-	22,003,466
	24,085,368	<u>\$ 1,176,883</u>	<u>\$ 22,908,485</u>
Corporate stocks	199,840		
Total	<u>\$ 24,285,208</u>		

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Hospital has an investment policy that meets the compliance requirements of state law. The investment policy guides the investment of funds in order to mitigate risk and generate investment income while preserving and maintaining sufficient liquidity to meet the objectives of the Hospital.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020 and 2019, the Hospital's investments in U.S. government agency securities not directly guaranteed by the U.S. government were as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
December 31, 2020			
U.S. government agency bonds	\$ 10,127,870	AA+	Standard & Poor's
December 31, 2019			
U.S. government agency bonds	\$ 21,997,838	AA+	Standard & Poor's

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Hospital will be unable to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy meets the compliance requirements of the provisions of state law.

Cash deposits and investments of the Hospital are composed of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deposits and money market accounts	\$ 14,156,372	\$ 3,512,038
Certificates of deposit	1,283,669	1,679,016
U.S. treasury obligations	-	402,886
U.S. government agency bonds	15,049,146	22,003,466
Corporate stocks	222,624	199,840
Total	<u>\$ 30,711,811</u>	<u>\$ 27,797,246</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	2020	2019
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 13,613,201	\$ 3,214,960
Assets limited as to use	1,284,289	3,113,058
Investments	15,814,321	21,469,228
Total	<u>\$ 30,711,811</u>	<u>\$ 27,797,246</u>

5. FAIR VALUE MEASUREMENTS

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

U.S. treasury obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

U.S. government agency bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Interest Rate Swap: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

The Hospital's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. No transfers between levels occurred in 2020 and 2019.

Assets measured at fair value on a recurring basis as of December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government agency bonds	\$ -	\$ 15,049,146	\$ -	\$ 15,049,146
Corporate stocks	222,624	-	-	222,624
	<u>\$ 222,624</u>	<u>\$ 15,049,146</u>	<u>\$ -</u>	<u>15,271,770</u>
Cash and cash equivalents				543,171
Certificates of deposit				1,283,669
Total				<u>\$ 17,098,610</u>
Liabilities:				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 23,345</u>	<u>\$ -</u>	<u>\$ 23,345</u>

Assets measured at fair value on a recurring basis as of December 31, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government agency bonds	\$ -	\$ 22,003,466	\$ -	\$ 22,003,466
U.S. treasury obligations	-	402,886	-	402,886
Corporate stocks	199,840	-	-	199,840
	<u>\$ 199,840</u>	<u>\$ 22,406,352</u>	<u>\$ -</u>	<u>22,606,192</u>
Cash and cash equivalents				297,078
Certificates of deposit				1,679,016
Total				<u>\$ 24,582,286</u>
Liabilities:				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 53,335</u>	<u>\$ -</u>	<u>\$ 53,335</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

6. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below as of December 31:

	2020	2019
Patient accounts receivable	\$ 21,600,301	\$ 20,971,822
Less: Allowance for uncollectible accounts	(3,696,178)	(5,525,650)
Less: Allowance for contractual adjustments	(10,765,432)	(8,405,475)
Patient accounts receivable, net	<u>\$ 7,138,691</u>	<u>\$ 7,040,697</u>

The Hospital provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of revenue and receivables from patients and third-party payors follows:

	2020		2019	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	32%	50%	31%	51%
Medicaid	21%	22%	13%	22%
Self-pay	22%	4%	33%	4%
Commercial and other	25%	24%	23%	23%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

7. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

The Hospital has agreements with payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for service and amounts reimbursed by third-party payors. The basis of reimbursements with these third-party payors follows:

Medicare - Inpatient, acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services, including ambulatory surgery, radiology, and laboratory services are reimbursed on an established fee-for-service methodology. Reimbursement for other outpatient services is based on the prospectively determined ambulatory payment classification system.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Medicaid - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

The Medicaid payment system in Ohio is prospective, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is 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 result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements. Cost reports have been final settled through 2017 for Medicare.

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

8. CAPITAL ASSETS

Capital assets for the year ended December 31, 2020 were as follows:

	2019	Additions	Disposals	Transfers	2020
Land	\$ 290,137	\$ -	\$ -	\$ -	\$ 290,137
Land improvements	891,756	-	-	198,069	1,089,825
Buildings and leasehold improvements	22,281,317	490,251	(1,978,240)	18,672,201	39,465,529
Equipment	29,609,430	702,256	(1,645,040)	2,380,903	31,047,549
Construction in progress	12,003,665	9,293,369	-	(21,251,173)	45,861
	<u>65,076,305</u>	<u>10,485,876</u>	<u>(3,623,280)</u>	<u>-</u>	<u>71,938,901</u>
Less accumulated depreciation					
Land improvements	724,778	27,910	-	-	752,688
Buildings and leasehold improvements	14,949,830	1,114,399	(1,965,455)	-	14,098,774
Equipment	23,928,197	1,511,466	(1,626,095)	-	23,813,568
	<u>39,602,805</u>	<u>2,653,775</u>	<u>(3,591,550)</u>	<u>-</u>	<u>38,665,030</u>
Capital assets, net	<u>\$ 25,473,500</u>	<u>\$ 7,832,101</u>	<u>\$ (31,730)</u>	<u>\$ -</u>	<u>\$ 33,273,871</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Capital assets for the year ended December 31, 2019 were as follows:

	2018	Additions	Disposals	Transfers	2019
Land	\$ 290,137	\$ -	\$ -	\$ -	\$ 290,137
Land improvements	848,354	-	-	43,402	891,756
Buildings and leasehold improvements	20,137,099	128,820	(762)	2,016,160	22,281,317
Equipment	28,883,757	764,447	(242,187)	203,413	29,609,430
Construction in progress	1,687,222	12,579,418	-	(2,262,975)	12,003,665
	<u>51,846,569</u>	<u>13,472,685</u>	<u>(242,949)</u>	<u>-</u>	<u>65,076,305</u>
Less accumulated depreciation					
Land improvements	704,951	19,827	-	-	724,778
Buildings and leasehold improvements	14,194,946	755,646	(762)	-	14,949,830
Equipment	22,663,927	1,480,475	(216,205)	-	23,928,197
	<u>37,563,824</u>	<u>2,255,948</u>	<u>(216,967)</u>	<u>-</u>	<u>39,602,805</u>
Capital assets, net	<u>\$ 14,282,745</u>	<u>\$ 11,216,737</u>	<u>\$ (25,982)</u>	<u>\$ -</u>	<u>\$ 25,473,500</u>

9. ACCRUED EXPENSES

The details of accrued liabilities at December 31, 2020 and 2019 were as follows:

	2020	2019
Payroll and related amounts	\$ 508,307	\$ 1,042,598
Employee health insurance	766,327	461,196
Pension	393,308	299,073
Total accrued liabilities	<u>\$ 1,667,942</u>	<u>\$ 1,802,867</u>

10. LONG-TERM DEBT

Information regarding the Hospital's long-term debt activity and balances as of and for the year ended December 31, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2004	\$ 1,255,000	\$ -	\$ (235,000)	\$ 1,020,000	\$ 1,020,000
Series 2007	1,350,000	-	(675,000)	675,000	675,000
	<u>2,605,000</u>	<u>-</u>	<u>(910,000)</u>	<u>1,695,000</u>	<u>1,695,000</u>
Direct borrowings	<u>-</u>	<u>4,446,000</u>	<u>-</u>	<u>4,446,000</u>	<u>3,204,306</u>
Total long-term debt	<u>\$ 2,605,000</u>	<u>\$ 4,446,000</u>	<u>\$ (910,000)</u>	<u>\$ 6,141,000</u>	<u>\$ 4,899,306</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Information regarding the Hospital's long-term debt activity and balances as of and for the year ended December 31, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2004	\$ 1,480,000	\$ -	\$ (225,000)	\$ 1,255,000	\$ 1,255,000
Series 2007	2,025,000	-	(675,000)	1,350,000	1,350,000
Total long-term debt	<u>\$ 3,505,000</u>	<u>\$ -</u>	<u>\$ (900,000)</u>	<u>\$ 2,605,000</u>	<u>\$ 2,605,000</u>

Hospital Facilities Revenue Bonds, Series 2004 - The Series 2004 revenue bonds consist of Hospital Facilities Revenue and Refunding Bonds (2004 Bonds) in the original amount of \$3,905,000 dated August 15, 2004, which bear interest at a variable rate determined weekly. At December 31, 2020 and 2019, the interest rate was 0.17% and 1.79%, respectively. The 2004 Bonds are payable in varying annual installments through August 1, 2024. Proceeds from the issuance of the 2004 Bonds were used to finance the recladding of Hospital facilities and to retire the Series 2001 bonds. The 2004 Bonds are secured by an irrevocable bank letter of credit, which expires on July 1, 2021.

The Hospital Facilities Revenue and Refunding Bonds, Series 2004 loan of \$3,905,000 from direct placement contain a provision that whenever an event of default occurs, The Bank of New York Trust Company, N.A. (the Bank), as holder of the bonds, without any further demand or notice, take one or any combination of the following remedial steps:

- 1) Declare the total amount of the 2004 Bonds principal and interest due and payable
- 2) Exercise any and all rights under the Letter of Credit, including, without limitation, foreclosing on any security.
- 3) Pursue any other remedy granted to the Bank under the reimbursement agreement or any other financing or security documents executed in connection with the indebtedness of the 2004 Bonds.

Hospital Facilities Revenue Bonds, Series 2007 - The Series 2007 revenue bonds consist of Hospital Facilities Revenue and Refunding Bonds (2007 Bonds) in the original amount of \$10,180,000 dated June 7, 2007, which bear interest at a variable rate determined weekly. At December 31, 2020 and 2019, the interest rate was 0.14% and 1.76%, respectively. The 2007 Bonds are payable in varying annual installments through December 1, 2021. Proceeds from the issuance of the 2007 Bonds were used to retire the Series 1999 bonds. The 2007 Bonds are secured by an irrevocable bank letter of credit, which expires on July 1, 2021.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Hospital Facilities Revenue and Refunding Bonds, Series 2007 loan of \$10,1805,000 from direct placement contain a provision that whenever an event of default occurs, Fifth Third Bank, N.A. (Fifth Third), as holder of the bonds, without any further demand or notice, take one or any combination of the following remedial steps:

- 1) Declare the total amount of the 2007 Bonds principal and interest due and payable
- 2) Exercise any and all rights under the Letter of Credit, including, without limitation, foreclosing on any security.
- 3) Pursue any other remedy granted to the Bank under the reimbursement agreement or any other financing or security documents executed in connection with the indebtedness of the 2007 Bonds.

The variable rate 2007 Bonds and 2004 Bonds (collectively, the Bonds) are both remarketed on a weekly basis. Should the remarketing agent be unable to remarket the Bonds based on its best efforts, these Bonds would be "put" back to the Bond Trustee, who would draw down on the letter of credit to pay down the Bonds. The reimbursement agreement between the letter-of-credit bank and the Hospital provides for the Hospital to reimburse the letter-of-credit bank any principal or interest draws against the letter of credit on the date in accordance with the original maturity schedule of the bonds.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee in the statements of net position. The indenture agreements also require the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage of at least 1.25 to 1, days cash on hand of at least 60 days, maximum funded indebtedness to unrestricted net position not greater than 1:1, and restrictions on incurrence of additional debt.

The Hospital did not meet certain covenant requirements listed above for the year ended December 31, 2020. As a result, all outstanding principal and interest amounts are callable at the lender's discretion at December 31, 2020. Accordingly, the remaining outstanding debt balances relating to the Bonds are presented as current liabilities in the accompanying statement of net position.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Paycheck Protection Program - During 2020, the Highland County Joint Township District Hospital and PSC received a low interest loan in the amount of \$4,239,000 and \$206,800, respectively. These loans were received under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loans are unsecured, bear interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met, which the remaining balance repayable within two years of disbursement. The PPP loans may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. If the loan is not forgiven, monthly principal and interest payment of \$248,960 were to begin on December 1, 2020, with a maturity date of May 1, 2022. As of December 31, 2020, no payments have been made. The Hospital has accounted for these loans as debt and will recognize any forgiveness when it has been legally forgiven by the Small Business Administration.

The following is a schedule by years of debt principal and interest payments:

Years Ending December 31	Notes from Direct Placements			Notes from Direct Borrowings	
	Principal	Interest {a}	Interest Rate Swap, Net {b}	Principal	Interest
2021	\$ 915,000	\$ 39,913	\$ 27,192	\$ 3,204,306	\$ 32,175
2022	250,000	8,539	-	1,241,694	3,105
2023	260,000	5,300	-	-	-
2024	270,000	2,024	-	-	-
Total	<u>\$ 1,695,000</u>	<u>\$ 55,776</u>	<u>\$ 27,192</u>	<u>\$ 4,446,000</u>	<u>\$ 35,280</u>

{a} Anticipated interest expense on the 2004 Bonds only, calculated at the variable rate as of December 31, 2020, includes letter of credit fees

{b} Anticipated interest expense on the 2007 Bonds only, adjusted for terms of interest rate swap (Note 11) and presented net of the variable rate as of December 31, 2020, includes letter of credit fees

11. DERIVATIVE FINANCIAL INSTRUMENT - INTEREST RATE SWAP

Contract

The Hospital has one interest rate swap agreement in effect at December 31, 2020 relating to the 2007 Hospital Facilities Revenue Refunding Bonds.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Objectives

As a means to manage the risk associated with interest rate risk on its variable rate bonds, the Hospital entered into an interest rate swap in connection with its 2007 Hospital Facilities Revenue Refunding Bonds that are reflected at fair value in the balance sheets at \$675,000 and \$1,350,000 at December 31, 2020 and 2019, respectively. The interest rate swap is reflected at fair value in the statements of net position as a liability and offsetting asset of \$23,345 and \$53,335 as of December 31, 2020 and 2019, respectively. The intention of the swap agreement is to effectively change the Hospital's variable interest rate on the bonds to a fixed rate of 3.942%.

Terms, Fair Values and Credit Risk

The terms, fair values, and credit ratings of the outstanding swap as of December 31, 2020 are shown below. The notional amount of the swap matches the principal amount of the associated debt and declines with the principal amortization on the bonds.

<u>Associated Bond Issue</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Fair Value</u>	<u>Termination Date</u>	<u>Counterparty Credit Rating</u>
2007 Hospital Facilities Revenue Refunding Bonds	\$ 675,000	June 7, 2007	3.94%	0.14%	\$ (23,345)	December 1, 2021	Aa3/A+/AA

As of December 31, 2020, the negative fair values of the agreement may be countered by reductions in total interest payments under the swap agreement should the variable rate on the bonds increase. The variable rate on the swap is the Securities Industry and Financial Markets Association (SIFMA) swap index and resets weekly.

The counterparty carries a guarantee by an entity ("counterparty guarantor") rated Aa3 by Moody's Investors Service, A+ by Standard and Poor's, and AA by Fitch Ratings.

Basis Risk

The swap and the bonds interest rates are both tied to the SIFMA index, therefore basis risk relating to the swap is minimal.

Termination Risk

The Hospital or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the Hospital would be liable to the counterparty for a payment equal to the swap's fair value.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Swap Payments and Associated Debt

Using rates as of December 31, 2020, debt service requirements of the variable rate debt and net swap payments of the 2007 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 10. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The Hospital has determined the swap to be an effective hedge. Accordingly, the fair value of the swap has been recorded and subsequent changes in fair value will be recorded only in the consolidated balance sheets while the swap remains an effective hedge.

Following is an analysis of the recording of the interest rate swap agreement:

	Assets	
	2020	2019
Deferred outflows	\$ 23,345	\$ 53,335
	Liabilities	
	2020	2019
Interest rate swap agreements	\$ 23,345	\$ 53,335

12. NET PATIENT SERVICE REVENUE

Net patient service revenue for the year ending December 31 consists of the following:

	2020	2019
Revenue:		
Inpatient services:		
Routine services	\$ 5,222,851	\$ 7,925,583
Ancillary services	10,831,059	10,955,118
Outpatient services	123,914,876	126,657,895
Total patient revenue	139,968,786	145,538,596
Revenue deductions:		
Provision for contractual allowances	82,514,622	86,989,842
Provision for bad debt allowances	5,358,797	7,941,328
Provision for charity care	1,320,853	605,675
Total revenue deductions	89,194,272	95,536,845
Total net patient service revenue	\$ 50,774,514	\$ 50,001,751

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

13. RETIREMENT PLANS

The Hospital is a participating employer contributing to the OPERS, which administers two cost-sharing multiple employer defined benefit pension plans, and one defined contribution pension plan.

- 1) The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan – a defined contribution plan.
- 3) The Combined Plan – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Please see the Plan Statement in the OPERS 2019 Comprehensive Annual Financial Report for details.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Retirement Plans

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 11 years).

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The collective net pension asset and liability of the retirement systems (GASB 68) and the Hospital's proportionate share of the net pension asset and liability as of December 31 were as follows:

Traditional Plan	2020	2019
Net pension liability - all employers	\$ 19,765,678,367	\$ 27,387,972,593
Proportion of the net pension liability - Hospital	0.111355%	0.111603%
	<u>\$ 22,010,071</u>	<u>\$ 30,565,799</u>
Combined Plan	2020	2019
Net pension asset - all employers	\$ 208,524,069	\$ 111,822,469
Proportion of the net pension asset - Hospital	0.151075%	0.143324%
	<u>\$ 315,028</u>	<u>\$ 160,268</u>

The decrease in pension liability is due to actual earnings on investments being more than projected earnings on investments.

Pension expense for the years ending December 31, 2020 and 2019, was \$3,779,684 and \$6,923,842, respectively.

At December 31, 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 278,286	\$ -	\$ 73,959	\$ -	\$ 352,245
Net difference between projected and actual earnings on pension plan assets	-	4,390,515	-	40,860	-	4,431,375
Assumption changes	1,175,595	-	32,483	-	1,208,078	-
Change in proportionate share	(3,284)	7,910	3,284	30,884	-	38,794
Difference between Hospital contributions and proportionate share of contributions	-	4,514	-	1,586	-	6,100
Employer contributions subsequent to the measurement date	2,216,346	-	92,521	-	2,308,867	-
Total	<u>\$ 3,388,657</u>	<u>\$ 4,681,225</u>	<u>\$ 128,288</u>	<u>\$ 147,289</u>	<u>\$ 3,516,945</u>	<u>\$ 4,828,514</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,410	\$ -	\$ -	\$ -	\$ 1,410	\$ -
Net difference between projected and actual earnings on pension plan assets	4,148,634	401,347	34,524	65,458	4,183,158	466,805
Assumption changes	2,660,827	-	35,795	-	2,696,622	-
Change in proportionate share	14,114	17,843	-	-	14,114	17,843
Employer contributions subsequent to the measurement date	2,198,162	-	87,709	-	2,285,871	-
Total	\$ 9,023,147	\$ 419,190	\$ 158,028	\$ 65,458	\$ 9,181,175	\$ 484,648

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending December 31 as follows:

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2021	\$ 526,309	\$ 26,714	\$ 553,023
2022	1,430,693	22,802	1,453,495
2023	(181,810)	11,408	(170,402)
2024	1,733,722	26,368	1,760,090
2025	-	7,740	7,740
Thereafter	-	16,490	16,490
Total	\$ 3,508,914	\$ 111,522	\$ 3,620,436

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

Pensions: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2020 and 2019, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2020 and 2019 was 4%.

Cost-of-Living Adjustments

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base pension benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan, they will receive a 3% cost-of-living adjustment for the defined benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date

December 31, 2019

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Actuarial Assumptions

Valuation Date: December 31, 2019

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.20%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 1.40%

Simple through 2020, then 2.15% Simple

Date of Last Experience Study

December 31, 2015

Mortality Rates

Mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base on 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality tables, used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale.

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, adjusted for inflation.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The following table displays the OPERS Board-approved asset allocation policy for defined benefit pension assets for 2019 and the long-term expected real rates of return:

	Target Allocation	Long Term Expected Return *
Fixed Income	25%	1.8%
Domestic Equity	19%	5.8%
Real Estate	10%	5.2%
Private Equity	12%	10.7%
International Equity	21%	7.7%
Other Investments	13%	5.0%
Total	100%	

* Returns presented as arithmetic means

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 36,383,000	\$ 22,010,071	\$ 9,183,000

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 181,000	\$ 315,028	\$ 384,000

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The amount of contributions recognized by the Hospital relating to the pensions for the years ending December 31, 2020 and 2019, were approximately \$2,309,000 and \$2,286,000, respectively.

14. OTHER POST-EMPLOYMENT BENEFITS

The Hospital is a participating employer contributing to the OPERS, which maintains a cost-sharing multiple employer defined benefit post-employment healthcare trust, which funds multiple health care plans including medical coverage, prescription drug program and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

In accordance with GASB Statement No. 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective OPEB liabilities of the plan.

The collective net OPEB liability of the retirement systems (GASB 75) and the Hospital's proportionate share of the net OPEB liability as of December 31 were as follows:

	2020	2019
Net OPEB liability - all employers	\$ 13,812,597,868	\$ 13,037,639,421
Proportion of the net OPEB liability - Hospital	0.116197%	0.116130%
	<u>\$ 16,049,824</u>	<u>\$ 15,140,611</u>

OPEB expense for the years ending December 31, 2020 and 2019, was \$1,819,113 and \$1,386,022, respectively.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

At December 31, 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 430	\$ 1,467,830
Net difference between projected and actual earnings on OPEB plan assets	-	817,671
Assumption changes	2,540,516	-
Change in proportionate share	24,290	-
Difference between Hospital contributions and proportionate share of contributions	5,771	-
Employer contributions subsequent to the measurement date	39,722	-
Total	<u>\$ 2,610,729</u>	<u>\$ 2,285,501</u>

At December 31, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,127	\$ 41,081
Net difference between projected and actual earnings on OPEB plan assets	694,108	-
Assumption changes	488,151	-
Change in proportionate share	40,654	-
Employer contributions subsequent to the measurement date	48,169	-
Total	<u>\$ 1,276,209</u>	<u>\$ 41,081</u>

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense during the years ending December 31 as follows:

2021	\$ (439,075)
2022	(195,420)
2023	(650)
2024	349,639
2025	-
Thereafter	-
Total	<u>\$ (285,506)</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and the Combined Pension Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector, and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The OPERS determines the amount, if any of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs.

Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employee contribution rates are expressed as a percentage of earnable salary of active members. In 2020 and 2019, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2020 and 2019 was 4%.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Measurement Date

December 31, 2019, rolled forward from December 31, 2018 actuarial valuation date

Actuarial Assumptions

Valuation Date: December 31, 2018
Rolled Forward Measurement Date: December 31, 2019
Actuarial Cost Method: Individual entry age
Investment Rate of Return: 6.00%
Inflation: 3.25%
Projected Salary Increases: 3.25% - 10.75%
Health Care Cost Trend: 10.5% initial, 3.5% ultimate through 2030

Date of Last Experience Study

December 31, 2015

Mortality Rates

Mortality rates are based on the RP-2014 Health Annuitant mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base on 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2010. The mortality tables, used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale.

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, adjusted for inflation.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	36%	1.5%
Domestic Equity	21%	5.8%
Real Estate	6%	5.7%
International Equity	23%	7.7%
Other Investments	14%	4.9%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

A discount rate of 3.16% was used to measure the total OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 2.75%. The projected cash flows used to determine the discount rate assumed that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were significant to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Health Care Cost Trend Rate

A health care cost trend rate of 10.5% was used to measure total OPEB liability on the measurement date of December 31, 2019. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near wage inflation (3.25%).

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Sensitivity of Net OPEB Liability to Changes in Discount Rate

1% Decrease (2.16%)	Current Rate (3.16%)	1% Increase (4.16%)
<u>\$ 20,992,000</u>	<u>\$ 16,049,824</u>	<u>\$ 12,076,000</u>

Sensitivity of Net OPEB Liability to Changes in Health Care Cost Trend Rate

1% Decrease (9.5%)	Current Rate (10.5%)	1% Increase (11.5%)
<u>\$ 15,567,000</u>	<u>\$ 16,049,824</u>	<u>\$ 16,508,000</u>

15. MEDICAL MALPRACTICE CLAIMS

Based on the nature of its operations, the Hospital is at times subject to pending or threatened legal actions, which arise in the normal course of its activities. The Hospital is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims \$3,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$7,000,000 of coverage.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured.

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 represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense.

16. SELF-INSURED BENEFITS

The Hospital is partially self-insured under a plan covering substantially all employees and dependents for health benefits. The plan is covered by a stop-loss policy that covers claims over \$100,000 per covered person, with an unlimited maximum annual payment amount. Claims in excess of employee premiums are charged to operations. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Activity in the Hospital's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 461,196	\$ 495,340
Current year claims incurred and changes in estimates for claims incurred in prior years	3,603,451	2,532,251
Claims and expenses paid	(3,298,320)	(2,566,395)
Balance, end of year	<u>\$ 766,327</u>	<u>\$ 461,196</u>

17. BLENDED COMPONENT UNITS

The financial statements include PSC, HDH Foundation, and HJTDH Foundation, which are blended component units of Highland County Joint Township Hospital as determined by GASB Statements No. 61 and No. 80.

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2020:

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 12,698,845	\$ 793,877	\$ 52,821	\$ 67,658	\$ -	\$ 13,613,201
Assets limited as to use, current portion	299,739	-	-	-	-	299,739
Patient accounts receivable, net of allowances	6,921,869	216,822	-	-	-	7,138,691
Contribution receivables	-	-	-	1,000	-	1,000
Note receivables, current portion	177,013	-	-	-	-	177,013
Other receivables	653,462	170,633	-	-	-	824,095
Supplies	544,898	-	-	-	-	544,898
Prepaid expenses and other current assets	483,821	35,692	-	-	-	519,513
Due from affiliate	10,051	-	-	-	(10,051)	-
Total current assets	21,789,698	1,217,024	52,821	68,658	(10,051)	23,118,150
Assets limited as to use						
Internally designated for specific purpose	467,871	-	-	-	-	467,871
Restricted by donors for capital improvements	89,455	-	-	427,224	-	516,679
Held by trustee under bond indenture agreements	299,739	-	-	-	-	299,739
Less amounts to meet current obligations	(299,739)	-	-	-	-	(299,739)
Total assets limited as to use, net current portion	557,326	-	-	427,224	-	984,550
Long-term investments	15,479,294	-	335,027	-	-	15,814,321
Note receivables, net current portion	456,094	-	-	-	-	456,094
Capital assets, net	32,226,457	289,864	757,550	-	-	33,273,871
Net pension asset	315,028	-	-	-	-	315,028
Total assets	70,823,897	1,506,888	1,145,398	495,882	(10,051)	73,962,014
Deferred outflows of resources						
Pension	3,516,945	-	-	-	-	3,516,945
Other post-employment benefits	2,610,729	-	-	-	-	2,610,729
Other deferred outflows	23,345	-	-	-	-	23,345
Total deferred outflows of resources	6,151,019	-	-	-	-	6,151,019
Total assets and deferred outflows of resources	<u>\$ 76,974,916</u>	<u>\$ 1,506,888</u>	<u>\$ 1,145,398</u>	<u>\$ 495,882</u>	<u>\$ (10,051)</u>	<u>\$ 80,113,033</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current liabilities						
Current maturities of long-term debt	\$ 4,750,262	\$ 149,044	\$ -	\$ -	\$ -	\$ 4,899,306
Accounts payable	1,822,059	159,263	-	-	-	1,981,322
Accrued expenses	1,535,446	132,496	-	-	-	1,667,942
Estimated amounts due to third-party payors	535,018	-	-	-	-	535,018
Refundable advances	4,414,882	49,499	-	-	-	4,464,381
Due to affiliate	-	5,398	-	4,653	(10,051)	-
Total current liabilities	13,057,667	495,700	-	4,653	(10,051)	13,547,969
Long-term debt, net current portion	1,183,938	57,756	-	-	-	1,241,694
Interest rate swap agreement	23,345	-	-	-	-	23,345
Accrued compensated absences	1,369,399	-	-	-	-	1,369,399
Net pension liability	22,010,071	-	-	-	-	22,010,071
Net other post-employment benefits liability	16,049,824	-	-	-	-	16,049,824
Total liabilities	53,694,244	553,456	-	4,653	(10,051)	54,242,302
Deferred inflows of resources						
Pension	4,828,514	-	-	-	-	4,828,514
Other post-employment benefits	2,285,501	-	-	-	-	2,285,501
Total deferred inflows of resources	7,114,015	-	-	-	-	7,114,015
Total liabilities and deferred inflows of resources	60,808,259	553,456	-	4,653	(10,051)	61,356,317
Net position						
Net investment in capital assets	30,531,457	289,864	757,550	-	-	31,578,871
Restricted - expendable for						
Capital improvements	89,455	-	-	428,224	-	517,679
Debt service	299,739	-	-	-	-	299,739
Pensions	315,028	-	-	-	-	315,028
Unrestricted	(15,069,022)	663,568	387,848	63,005	-	(13,954,601)
Total net position	16,166,657	953,432	1,145,398	491,229	-	18,756,716
Total liabilities, deferred inflows of resources and net position	<u>\$ 76,974,916</u>	<u>\$ 1,506,888</u>	<u>\$ 1,145,398</u>	<u>\$ 495,882</u>	<u>\$ (10,051)</u>	<u>\$ 80,113,033</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 49,509,093	\$ 1,955,492	\$ -	\$ -	\$ (690,071)	\$ 50,774,514
Other operating revenue	1,345,020	22,464	31,667	-	(289,208)	1,109,943
Total operating revenue	50,854,113	1,977,956	31,667	-	(979,279)	51,884,457
Operating expenses						
Salaries and wages	17,936,473	2,129,519	-	-	-	20,065,992
Employee benefits	2,961,890	340,778	-	-	-	3,302,668
Pension	3,779,684	-	-	-	-	3,779,684
Other post-employment benefits	1,819,113	-	-	-	-	1,819,113
Supplies	9,012,135	45,091	-	14,109	-	9,071,335
Purchased services	5,338,767	748,748	-	27,834	(111,656)	6,003,693
Physician fees	4,170,061	-	-	100	(689,509)	3,480,652
Depreciation and amortization	2,613,972	17,305	22,498	-	-	2,653,775
Professional fees	177,413	-	-	-	-	177,413
Utilities	807,730	10,628	-	-	-	818,358
Insurance	230,261	55,241	-	-	-	285,502
Franchise fees	756,937	-	-	-	-	756,937
Other operating expense	271,062	222,552	-	693	(92,787)	401,520
Total operating expenses	49,875,498	3,569,862	22,498	42,736	(893,952)	52,616,642
Operating income (Loss)	978,615	(1,591,906)	9,169	(42,736)	(85,327)	(732,185)
Non-operating gains (losses)						
Investment income	767,086	-	6,663	-	-	773,749
Grant expense	(250,000)	-	-	(85,327)	85,327	(250,000)
Interest expense	(89,819)	-	-	-	-	(89,819)
Noncapital grants and gifts	2,200,451	337,630	-	121,376	-	2,659,457
Other non-operating gains (losses)	157,341	97	(6,576)	-	-	150,862
Total non-operating gains (losses)	2,785,059	337,727	87	36,049	85,327	3,244,249
Excess of revenues over expenses (expenses over revenues)	3,763,674	(1,254,179)	9,256	(6,687)	-	2,512,064
Transfer to affiliates	(1,750,000)	1,750,000	-	-	-	-
Change in net position	2,013,674	495,821	9,256	(6,687)	-	2,512,064
Net position - beginning of year	14,152,983	457,611	1,136,142	497,916	-	16,244,652
Net position - end of year	<u>\$ 16,166,657</u>	<u>\$ 953,432</u>	<u>\$ 1,145,398</u>	<u>\$ 491,229</u>	<u>\$ -</u>	<u>\$ 18,756,716</u>
	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Cash provided by (used in):						
Operating activities	\$ 3,754,360	\$ (1,650,314)	\$ 31,667	\$ 73,695	\$ (85,327)	\$ 2,124,081
Investing activities	8,503,417	-	101	-	-	8,503,518
Noncapital financing activities	10,749,917	594,027	(6,576)	36,049	85,327	11,458,744
Capital financing activities	(13,192,009)	1,750,000	-	-	-	(11,442,009)
Total	9,815,685	693,713	25,192	109,744	-	10,644,334
Cash and cash equivalents - beginning of year	2,999,107	100,164	27,629	385,138	-	3,512,038
Cash and cash equivalents - end of year	<u>\$ 12,814,792</u>	<u>\$ 793,877</u>	<u>\$ 52,821</u>	<u>\$ 494,882</u>	<u>\$ -</u>	<u>\$ 14,156,372</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2019:

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 2,999,107	\$ 100,164	\$ 27,629	\$ 88,060	\$ -	\$ 3,214,960
Assets limited as to use, current portion	295,400	-	-	-	-	295,400
Patient accounts receivable, net of allowances	6,921,607	119,090	-	-	-	7,040,697
Contribution receivables	-	-	-	90,800	-	90,800
Note receivables, current portion	168,398	-	-	-	-	168,398
Other receivables	251,229	59,041	-	24,701	-	334,971
Supplies	487,421	-	-	-	-	487,421
Prepaid expenses and other current assets	441,193	26,057	-	-	-	467,250
Due from affiliate	3,979	-	-	-	(3,979)	-
Total current assets	11,568,334	304,352	27,629	203,561	(3,979)	12,099,897
Assets limited as to use						
Internally designated for specific purpose	2,430,790	-	-	-	-	2,430,790
Restricted by donors for capital improvements	89,790	-	-	297,078	-	386,868
Held by trustee under bond indenture agreements	295,400	-	-	-	-	295,400
Less amounts to meet current obligations	(295,400)	-	-	-	-	(295,400)
Total assets limited as to use, net current portion	2,520,580	-	-	297,078	-	2,817,658
Long-term investments	21,140,763	-	328,465	-	-	21,469,228
Note receivables, net current portion	633,107	-	-	-	-	633,107
Capital assets, net	24,386,282	307,170	780,048	-	-	25,473,500
Net pension asset	160,268	-	-	-	-	160,268
Total assets	60,409,334	611,522	1,136,142	500,639	(3,979)	62,653,658
Deferred outflows of resources						
Pension	9,181,175	-	-	-	-	9,181,175
Other post-employment benefits	1,276,209	-	-	-	-	1,276,209
Other deferred outflows	53,335	-	-	-	-	53,335
Total deferred outflows of resources	10,510,719	-	-	-	-	10,510,719
Total assets and deferred outflows of resources	<u>\$ 70,920,053</u>	<u>\$ 611,522</u>	<u>\$ 1,136,142</u>	<u>\$ 500,639</u>	<u>\$ (3,979)</u>	<u>\$ 73,164,377</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current liabilities						
Current maturities of long-term debt	\$ 2,605,000	\$ -	\$ -	\$ -	\$ -	\$ 2,605,000
Accounts payable	3,379,405	43,644	-	2,723	-	3,425,772
Accrued expenses	1,696,579	106,288	-	-	-	1,802,867
Estimated amounts due to third-party payors	1,489,089	-	-	-	-	1,489,089
Due to affiliate	-	3,979	-	-	(3,979)	-
Total current liabilities	9,170,073	153,911	-	2,723	(3,979)	9,322,728
Interest rate swap agreement	53,335	-	-	-	-	53,335
Accrued compensated absences	1,311,523	-	-	-	-	1,311,523
Net pension liability	30,565,799	-	-	-	-	30,565,799
Net other post-employment benefits liability	15,140,611	-	-	-	-	15,140,611
Total liabilities	56,241,341	153,911	-	2,723	(3,979)	56,393,996
Deferred inflows of resources						
Pension	484,648	-	-	-	-	484,648
Other post-employment benefits	41,081	-	-	-	-	41,081
Total deferred inflows of resources	525,729	-	-	-	-	525,729
Total liabilities and deferred inflows of resources	56,767,070	153,911	-	2,723	(3,979)	56,919,725
Net position						
Net investment in capital assets	21,781,282	307,170	780,048	-	-	22,868,500
Restricted - expendable for						
Capital improvements	89,790	-	-	387,878	-	477,668
Debt service	295,400	-	-	-	-	295,400
Pensions	160,268	-	-	-	-	160,268
Unrestricted	(8,173,757)	150,441	356,094	110,038	-	(7,557,184)
Total net position	14,152,983	457,611	1,136,142	497,916	-	16,244,652
Total liabilities, deferred inflows of resources and net position	<u>\$ 70,920,053</u>	<u>\$ 611,522</u>	<u>\$ 1,136,142</u>	<u>\$ 500,639</u>	<u>\$ (3,979)</u>	<u>\$ 73,164,377</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 48,631,252	\$ 1,885,900	\$ -	\$ -	\$ (515,401)	\$ 50,001,751
Other operating revenue	1,828,711	21,288	23,400	-	(731,050)	1,142,349
Total operating revenue	50,459,963	1,907,188	23,400	-	(1,246,451)	51,144,100
Operating expenses						
Salaries and wages	17,906,424	2,067,429	-	-	-	19,973,853
Employee benefits	3,330,837	228,980	-	-	-	3,559,817
Pension	6,923,842	-	-	-	-	6,923,842
Other post-employment benefits	1,386,022	-	-	-	-	1,386,022
Supplies	7,947,367	19,272	796	29,016	-	7,996,451
Purchased services	4,823,431	731,364	-	42,007	(81,115)	5,515,687
Physician fees	4,019,993	-	-	178	(515,401)	3,504,770
Depreciation and amortization	2,218,736	20,361	16,851	-	-	2,255,948
Professional fees	136,699	-	-	-	-	136,699
Utilities	817,839	21,673	-	-	-	839,512
Insurance	214,963	58,700	-	-	-	273,663
Franchise fees	620,653	-	-	-	-	620,653
Other operating expense	427,406	214,438	-	1,007	(66,138)	576,713
Total operating expenses	50,774,212	3,362,217	17,647	72,208	(662,654)	53,563,630
Operating income (Loss)	(314,249)	(1,455,029)	5,753	(72,208)	(583,797)	(2,419,530)
Non-operating gains (losses)						
Investment income	1,129,304	-	6,869	-	-	1,136,173
Grant expense	(900,000)	-	-	(583,797)	583,797	(900,000)
Interest expense	(148,781)	-	-	-	-	(148,781)
Noncapital grants and gifts	27,742	-	-	235,353	-	263,095
Other non-operating gains (losses)	3,010	21	(600)	-	-	2,431
Total non-operating gains (losses)	111,275	21	6,269	(348,444)	583,797	352,918
Excess of revenues over expenses (expenses over revenues)	(202,974)	(1,455,008)	12,022	(420,652)	-	(2,066,612)
Transfer to affiliates	(1,400,000)	1,400,000	-	-	-	-
Change in net position	(1,602,974)	(55,008)	12,022	(420,652)	-	(2,066,612)
Net position - beginning of year	15,755,957	512,619	1,124,120	918,568	-	18,311,264
Net position - end of year	<u>\$ 14,152,983</u>	<u>\$ 457,611</u>	<u>\$ 1,136,142</u>	<u>\$ 497,916</u>	<u>\$ -</u>	<u>\$ 16,244,652</u>

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Cash provided by (used in):						
Operating activities	\$ 6,087,864	\$ (1,395,060)	\$ 22,004	\$ 649,494	\$ (583,797)	\$ 4,780,505
Investing activities	7,780,560	-	131	-	-	7,780,691
Noncapital financing activities	(841,372)	(8,373)	-	(348,444)	583,797	(614,392)
Capital financing activities	(14,507,821)	1,401,701	(177,021)	-	-	(13,283,141)
Total	(1,480,769)	(1,732)	(154,886)	301,050	-	(1,336,337)
Cash and cash equivalents - beginning of year	4,479,876	101,896	182,515	84,088	-	4,848,375
Cash and cash equivalents - end of year	<u>\$ 2,999,107</u>	<u>\$ 100,164</u>	<u>\$ 27,629</u>	<u>\$ 385,138</u>	<u>\$ -</u>	<u>\$ 3,512,038</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

18. REFUNDABLE ADVANCES

During 2020, the Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of COVID-19 pandemic under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF grants are recognized to the extent of patient revenues lost as a result of the pandemic and COVID-19 related additional expenses. This revenue is included in the statement of revenues, expenses and changes in net position as nonoperating revenue. Patient revenues lost represent the deficiency in net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues budgeted for 2020. Provider Relief Fund grants included in refundable advances on the statement of net position represent grant funds received in excess of patient revenues lost and COVID-19 related expenses. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

As part of the CARES act congress also authorized Coronavirus Relief Funds which were distributed to state and local governments. In 2020, the state of Ohio passed through funds to healthcare providers in the state. Revenues from Coronavirus Relief Funds are recognized to the extent of COVID-19 related expenses. This revenue is included in the statements of revenues, expenses, and changes in net position as other non-operating revenue. Coronavirus Relief Fund included in refundable advances on the statements of financial position represent grant funds received in excess of COVID-19 related expenses. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

As of and for the year ended December 31, 2020, revenues recognized and refundable advances were as follows:

	Revenue Recognized	Refundable Advances	Total
Provider relief fund	\$ 917,020	\$ 4,424,490	\$ 5,341,510
Coronavirus relief fund	1,355,757	39,891	1,395,648
Ending balance as of December 31, 2020	<u>\$ 2,272,777</u>	<u>\$ 4,464,381</u>	<u>\$ 6,737,158</u>

19. GRANTS AND LOANS TO AFFILIATED ORGANIZATIONS

HHPC was a previous component unit of the Hospital until 2014, when HHPC restructured its organization. As a result of the restructuring, HHPC is no longer a component unit of the Hospital as it has a separate board, rate setting powers and the ability to enter into financing arrangements independently.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

During 2014, the Hospital entered into a grant agreement with HHPC, whereby HHPC's operating losses, not to exceed \$1,500,000 on an annual basis, will be funded for the next two years with renewal options for successive one-year periods. Grant expense for 2020 and 2019 was \$250,000 and \$900,000, respectively, and is included in the statements of revenues, expenses and changes in net position. The agreement was renewed and in effect as of the date of the independent auditor's report.

During 2019, the Hospital executed two loan agreements with HHPC for \$26,250 and \$61,500. The loans are payable in forty-eight and sixty monthly installments beginning July 1, 2019 and March 1, 2019. Both agreements are attached to an interest rate of 5%. During 2018, the Hospital executed a loan agreement with HHPC for \$775,000. The loan is payable in sixty monthly installments beginning July 1, 2019 at an interest rate of 5%. Notes receivable due from HHPC as of December 31, 2020 and 2019 was \$633,107 and \$801,505, respectively.

20. CONTINGENCIES AND COMMITMENTS

Compliance Risks

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the financial statements; however, the possible future financial effects of this matter on the Hospital, if any, are not presently determinable.

Coronavirus Pandemic

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

21. RECENT GASB PRONOUNCEMENTS

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

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for periods beginning after June 15, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

SUPPLEMENTARY INFORMATION

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS AND LIABILITIES (UNAUDITED) DECEMBER 31, 2020, 2019, 2018, 2017, 2016, AND 2015

Schedule of Proportionate Share of the Net Pension Liability (rounding to the nearest 1,000)	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net pension liability	0.111355%	0.111603%	0.111383%	0.111762%	0.108875%	0.106145%
Hospital's proportionate share of the net pension liability	\$ 22,010,000	\$ 30,566,000	\$ 17,474,000	\$ 25,379,000	\$ 18,859,000	\$ 13,073,000
Hospital's proportion of the collective net pension asset	0.151075%	0.143324%	0.122397%	0.106786%	0.119100%	0.101665%
Hospital's proportionate share of the net pension asset	\$ 315,000	\$ 160,000	\$ 167,000	\$ 59,000	\$ 58,000	\$ 49,000
Hospital's covered payroll	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,385,000
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	134.80%	194.85%	114.80%	170.68%	134.78%	97.67%
Plan fiduciary net position as a percentage of the total pension liability	82.44%	74.90%	84.85%	77.38%	81.19%	81.19%
Schedule of Hospital's Contributions						
Contractually required contribution	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contributions in relation to the contractually required contribution	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	13.8%	13.7%	13.7%	13.0%	12.0%	12.0%

Note: This schedule is intended to present ten years of the proportionate share of the net pension asset and liability. Currently, only those years with information available are presented.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT BENEFIT LIABILITIES (UNAUDITED) DECEMBER 31, 2020, 2019, 2018, 2017, 2016, AND 2015

Schedule of Proportionate Share of the Net OPEB Liability (rounding to the nearest 1,000)	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net OPEB liability	0.116197%	0.116130%	0.115610%	*	*	*
Hospital's proportionate share of the net OPEB liability	\$ 16,050,000	\$ 15,141,000	\$ 12,554,000	*	*	*
Hospital's covered payroll	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,385,000
Hospital's proportionate share of the net OPEB liability as a percentage of its covered payroll	98.30%	96.52%	82.48%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.30%	54.10%	*	*	*
Schedule of Hospital's Contributions						
Contractually required OPEB contribution	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contributions in relation to the contractually required contribution	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	0.2%	0.3%	0.3%	1.0%	2.0%	2.0%

Note: This schedule is intended to present ten years of the proportionate share of the net pension liability. Currently, only those years with information available are presented.

*This information is not available as information for GASB 75 was only obtained in 2018.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

1. Defined Benefit Pension Plans

Changes of Benefit Terms:

Amounts reported in 2015 for OPERS reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2 percent of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3 percent applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3 percent.

Changes of Assumptions:

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period of 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2019, used for the Hospital's 2020 fiscal year. Amounts reported in the Hospital's 2020 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2019 fiscal year based on the experience study.

- Actuarially assumed expected rate of investment return decreased from 7.5 percent to 7.2 percent.
- Projected salary increases remained consistent at 3.25 percent – 10.75 percent for the Traditional Pension Plan and at 3.25 percent – 8.25 percent for the Combined Plan.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

2. Defined Benefit Postemployment Benefits Other Than Pensions

Changes of Assumptions:

Amounts reported in 2019 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2015:

- Wage inflation assumption remained consistent at 3.25 percent.
- Health care cost trend rate increased from 10 percent initial, 3.25 percent ultimate in 2029 to 10.5 percent initial, 3.5 percent in 2030.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Board of Governors
Highland County Joint Township District Hospital and Affiliates
Hillsboro, Ohio

To the Board of Governors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of Highland County Joint Township District Hospital and Affiliates (the Hospital), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated August 3, 2021.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Hospital's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent, or detect and timely correct a material misstatement of the Hospital's financial statements. 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.

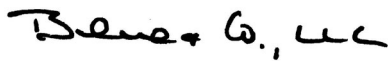
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining 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 we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Westerville, Ohio
August 3, 2021



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*INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE
MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE*

Board of Governors
Highland County Joint Township District Hospital and Affiliates
Hillsboro, Ohio

Report on Compliance for the Major Federal Programs

We have audited Highland County Joint Township District Hospital and Affiliates (the "Hospital") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially effect the Hospital's major federal programs for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Hospital's major federal programs.

Management's Responsibility

The Hospital's is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Hospital's compliance for the Hospital's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Governmental Auditing Standards*; 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). These standards and the Uniform Guidance requires us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our compliance opinion on the Hospital's major programs. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on the Major Federal Programs

In our opinion, Highland County Joint Township District Hospital and Affiliates complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The Hospital's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our compliance audit, we considered the Hospital's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Hospital's internal control over compliance.

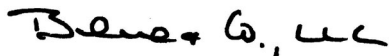
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Supplementary Information

Our audit was conducted to opine on the Hospital's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Westerville, Ohio
August 3, 2021

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass Through to Subrecipients	Tota Federal Expenditures
U.S. Department of Health and Human Services:				
Programs:				
COVID-19 - Assistance Secretary for Preparedness and Response	93.889	-	\$ -	\$ 98,437
COVID-19 - Coronavirus State Hospital Improvement Program	93.301	-	\$ -	\$ 84,317
COVID-19 - Uninsured Relief Fund	93.461	-	\$ -	\$ 1,928
U.S. Treasury Department/State of Ohio:				
Programs:				
COVID-19 - Coronavirus Relief Fund	21.019	-	\$ -	\$ 1,355,757
				<u>\$ 1,540,439</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2020 includes the federal grant activity that Highland County Joint Township District Hospital and Affiliates (the Hospital) received and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x none reported

Federal Awards

Internal controls over major programs:

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

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

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

Any audit findings disclosed that are required to be Reported in accordance with section 200.516 Audit findings paragraph (a) of the Uniform Grant Guidance _____ yes x none reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and B programs: \$750,000

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2020

Section II - Findings related to financial statements reported in accordance with *Government Auditing Standards:*

No matters reported.

Section III - Findings and questioned costs relating to Federal awards:

No matters reported.

Section IV – Summary schedule of prior audit findings:

No matters reported.

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OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL

HIGHLAND 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 9/21/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov