

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Independent Auditor's Reports and Financial Statements
December 31, 2020 and 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Paulding County Hospital
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We have reviewed the *Independent Auditor's Report* of the Paulding County Hospital, Paulding County, prepared by BKD, LLP, for the audit period January 1, 2019 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 Paulding County 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

December 02, 2021

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Paulding County Hospital
A Component Unit of Paulding County, Ohio
December 31, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Paulding County Hospital
Paulding, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Paulding County Hospital (Hospital), a component unit of Paulding County, Ohio, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paulding County Hospital, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

BKD, LLP

Fort Wayne, Indiana
November 3, 2021

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Management's Discussion and Analysis
Years Ended December 31, 2020 and 2019

Introduction

The management's discussion and analysis of the financial performance of Paulding County Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2020, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Hospital. Management is responsible for the completeness and fairness of the financial statements and the related note disclosures along with management's discussion and analysis.

Financial Highlights

The Hospital's current assets increased by \$1,272,939 or 25.09 percent from the prior year compared to a \$1,080,013 or 17.55 percent decrease last year. The change in the current year is primarily driven by an increase in cash and cash equivalents as a result of provider relief funds received, as well as a higher patient accounts receivable balance as a result of changes in volume and payor mix.

The Hospital's total liabilities decreased \$5,771,302 or 17.99 percent from the prior year compared to a \$9,266,539 or 48.67 percent increase last year. The change in the current year was due primarily to a total decrease in the net pension and other postemployment benefit (OPEB) liability of \$5,270,731. In the prior year, the increase was due primarily to an increase in the net pension and OPEB liability of \$9,132,206.

The Hospital's net position increased \$235,284 or 4.91 percent from the previous year compared to a decrease of \$4,819,870 or 15,236.84 percent last year (after the restatements discussed in Note 2). These changes were due primarily to the recognition of provider relief funds of \$3,074,806 in the current year and the continued effects of adjustments related to the net pension and OPEB obligations in 2020.

The 2019 and 2018 financial statements were restated to correct an error related to amounts owed to Medicare. During the year ended December 31, 2020, the Hospital identified it had been paid for certain Medicare payments both under interim prospective payments as well as through remittance advice payments. The total amount owed to Medicare as of December 31, 2019, was approximately \$3.8 million and the total amount owed as of December 31, 2018, was \$2.9 million.

The following table provides a breakdown of the Hospital's net position by category for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31		
	2020	2019 (Restated - Note 2)	2018 (Restated - Note 2)
Net Position			
Net investment in capital assets	\$ 7,912,353	\$ 7,426,929	\$ 7,400,255
Restricted - net pension asset	231,743	124,719	144,549
Unrestricted	(12,697,049)	(12,339,885)	(7,513,171)

Paulding County Hospital

A Component Unit of Paulding County, Ohio

Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

In the year ended December 31, 2020, the Hospital's revenue and other support were greater than total expenses, creating an increase in net position of \$235,284. The decrease for 2019, after the restatement discussed in Note 2, was \$4,819,870.

Using This Annual Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the financial statements and notes to the financial statements. The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements and related notes provide information about the activities of the Hospital, including resources held but restricted. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenue, expenses and changes in net position report information about the Hospital as a whole and on its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and deferred outflows of resources and all liabilities and deferred inflows of resources—using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenue 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 therein. The Hospital's total net position—assets and deferred outflows of resources less liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

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

Paulding County Hospital
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Management's Discussion and Analysis
Years Ended December 31, 2020 and 2019

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	Year Ended December 31			2020/2019 Change	
	2020	2019 (Restated - Note 2)	2018 (Restated - Note 2)	Amount	Percent
Assets					
Current assets	\$ 6,345,428	\$ 5,072,489	\$ 6,152,502	\$ 1,272,939	25.09%
Assets limited as to use	8,265,204	8,713,639	8,252,961	(448,435)	-5.15%
Capital assets	7,927,359	7,697,648	7,400,255	229,711	2.98%
Net pension asset	231,743	124,719	144,549	107,024	85.81%
Total assets	<u>22,769,734</u>	<u>21,608,495</u>	<u>21,950,267</u>	<u>1,161,239</u>	5.37%
Deferred Outflows of Resources	<u>3,251,256</u>	<u>5,984,639</u>	<u>2,926,438</u>	<u>(2,733,383)</u>	-45.67%
Total assets and deferred outflows of resources	<u>\$ 26,020,990</u>	<u>\$ 27,593,134</u>	<u>\$ 24,876,705</u>	<u>\$ (1,572,144)</u>	-5.70%
Liabilities					
Current liabilities	\$ 5,778,194	\$ 6,246,592	\$ 5,138,683	\$ (468,398)	-7.50%
Noncurrent liabilities	356,065	388,238	455,972	(32,173)	-8.29%
Net pension and OPEB liability	20,179,603	25,450,334	16,318,128	(5,270,731)	-20.71%
Total liabilities	<u>26,313,862</u>	<u>32,085,164</u>	<u>21,912,783</u>	<u>(5,771,302)</u>	-17.99%
Deferred Inflows of Resources	<u>4,260,081</u>	<u>296,207</u>	<u>2,932,289</u>	<u>3,963,874</u>	1338.21%
Net Position					
Net investment in capital assets	7,912,353	7,426,929	7,400,255	485,424	6.54%
Restricted - net pension asset	231,743	124,719	144,549	107,024	85.81%
Unrestricted	(12,697,049)	(12,339,885)	(7,513,171)	(357,164)	2.89%
Total net position	<u>(4,552,953)</u>	<u>(4,788,237)</u>	<u>31,633</u>	<u>235,284</u>	-4.91%
Total liabilities, deferred inflows of resources and net position	<u>\$ 26,020,990</u>	<u>\$ 27,593,134</u>	<u>\$ 24,876,705</u>	<u>\$ (1,572,144)</u>	-5.70%

Assets and Deferred Outflows of Resources

As of December 31, 2020, the Hospital's total assets and deferred outflows of resources amounted to approximately \$26.0 million. Assets whose use is limited represented the Hospital's largest asset totaling approximately \$8.3 million, or 32 percent, of total assets and deferred outflows of resources. The Hospital's next largest asset, capital assets, net of depreciation, totaled approximately \$7.9 million, or 30 percent, of total assets and deferred outflows of resources.

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Management's Discussion and Analysis
Years Ended December 31, 2020 and 2019

Total assets and deferred outflows of resources decreased by approximately \$1.6 million from the prior year. This decrease was driven by:

- An increase in current assets of approximately \$1.3 million as discussed previously.
- An increase of approximately \$230,000 in capital assets as a result of the purchase of certain capital assets of approximately \$1,500,000 million offset by depreciation expense of approximately \$1,021,000.
- A decrease of approximately \$2,700,000 in deferred outflows of resources as a result of changes in pension and OPEB items under GASB 68 and GASB 75.

As of December 31, 2019, the Hospital's total assets and deferred outflows of resources amounted to approximately \$27.6 million. Assets whose use is limited represented the Hospital's largest asset totaling approximately \$8.7 million, or 32 percent, of total assets and deferred outflows of resources. The Hospital's next largest asset, capital assets, net of depreciation, totaled approximately \$7.7 million, or 28 percent, of total assets and deferred outflows of resources.

Total assets and deferred outflows of resources increased by approximately \$2.7 million from the prior year. This increase was driven by:

- A decrease in current assets of approximately \$1,080,000 as discussed previously.
- An increase of approximately \$297,000 in capital assets as a result of the purchase of certain capital assets of approximately \$1,229,000 offset by depreciation expense of approximately \$932,000.
- An increase of approximately \$3,100,000 in deferred outflows of resources as a result of changes in pension and OPEB items under GASB 68 and GASB 75.

Liabilities and Deferred Inflows of Resources

At December 31, 2020, the Hospital's liabilities and deferred inflows of resources were approximately \$30.6 million. Current liabilities, primarily consisting of accounts payable, accrued expenses, and amounts due to third-party payors totaled approximately \$5.8 million or 22.0 percent of total liabilities and deferred inflows of resources. The net pension and OPEB liability totaled approximately \$20.2 million or 76.7 percent of total liabilities and deferred inflows of resources.

Total liabilities and deferred inflows of resources decreased approximately \$1.8 million from the prior year primarily due to a decrease of approximately \$1.3 million in the net pension and OPEB liability and deferred inflows of resources.

At December 31, 2019, the Hospital's liabilities and deferred inflows of resources were approximately \$32.4 million, after restatement. Current liabilities, primarily consisting of accounts payable, accrued expenses and amounts due to third-party payors, totaled approximately \$6.2 million or 19.5 percent of total liabilities and deferred inflows of resources. The net pension and OPEB liability totaled approximately \$25.4 million or 79.3 percent of total liabilities and deferred inflows of resources.

Total liabilities and deferred inflows of resources increased approximately \$7.5 million from the prior year primarily due to an increase of approximately \$9.1 million in the net pension and OPEB liability.

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Net Position

Net position at December 31, 2020, totaled approximately \$(4.6) million. Net position – net investment in capital assets totaled approximately \$7.9 million, or 174 percent, of total net position. Unrestricted net position totaled approximately \$(12.7) million, or (279) percent, of total net position.

Total net position increased approximately \$235,000 million or 5.0 percent primarily as a result of changes in pension and OPEB items under GASB 68 and GASB 75 and recognition of provider relief funding received under the CARES Act.

Net position at December 31, 2019, totaled approximately \$(4,800,000). Net position – net investment in capital assets totaled approximately \$7.4 million, or 155 percent, of total net position. Unrestricted net position totaled approximately \$(12.3) million, or (258) percent, of total net position.

Total net position decreased approximately \$4.8 million or 15,236.8 percent primarily as a result of changes in pension and OPEB items under GASB 68 and GASB 75.

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Table 2: Operating Results and Changes in Net Position

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

	Year Ended December 31			2020/2019 Change	
	2020	2019 (Restated - Note 2)	2018 (Restated - Note 2)	Amount	Percent
Operating Revenue					
Net patient service revenue	\$ 20,609,704	\$ 19,943,626	\$ 21,093,684	\$ 666,078	3.34%
Other	965,767	921,352	677,309	44,415	4.82%
Total operating revenues	<u>21,575,471</u>	<u>20,864,978</u>	<u>21,770,993</u>	<u>710,493</u>	3.41%
Operating Expenses					
Salaries and wages	9,718,811	9,782,263	9,945,695	(63,452)	-0.65%
Employee benefits and payroll taxes	4,121,506	6,173,536	3,963,939	(2,052,030)	-33.24%
Professional services and consultant fees	2,192,809	2,128,769	2,097,828	64,040	3.01%
Medical supplies and other	5,992,566	5,455,954	5,111,732	536,612	9.84%
Purchased services	1,565,487	1,401,949	1,298,713	163,538	11.67%
Depreciation and amortization	1,020,994	931,742	1,248,780	89,252	9.58%
Total operating expenses	<u>24,612,173</u>	<u>25,874,213</u>	<u>23,666,687</u>	<u>(1,262,040)</u>	-4.88%
Operating Loss	<u>(3,036,702)</u>	<u>(5,009,235)</u>	<u>(1,895,694)</u>	<u>1,972,533</u>	-39.38%
Nonoperating Revenue					
Noncapital grants	3,106,150	-	-	3,106,150	100.00%
Investment income	105,893	113,043	62,278	(7,150)	-6.33%
Contributions	24,127	36,300	38,419	(12,173)	-33.53%
Other income (expenses)	35,816	40,022	25,281	(4,206)	-10.51%
Total other income	<u>3,271,986</u>	<u>189,365</u>	<u>125,978</u>	<u>3,082,621</u>	1627.87%
Increase (Decrease) in Net Position	<u>235,284</u>	<u>(4,819,870)</u>	<u>(1,769,716)</u>	<u>5,055,154</u>	-104.88%
Net Position, Beginning of Year, as Previously Reported	(4,788,237)	2,905,588	3,610,245	(7,693,825)	-264.79%
Effect of Restatement	<u>-</u>	<u>(2,873,955)</u>	<u>(1,808,896)</u>	<u>2,873,955</u>	-100.00%
Net Position, Beginning of Year, as Restated	<u>(4,788,237)</u>	<u>31,633</u>	<u>1,801,349</u>	<u>(4,819,870)</u>	-15236.84%
Net Position, End of Year	<u>\$ (4,552,953)</u>	<u>\$ (4,788,237)</u>	<u>\$ 31,633</u>	<u>\$ 235,284</u>	-4.91%

Paulding County Hospital

A Component Unit of Paulding County, Ohio

Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

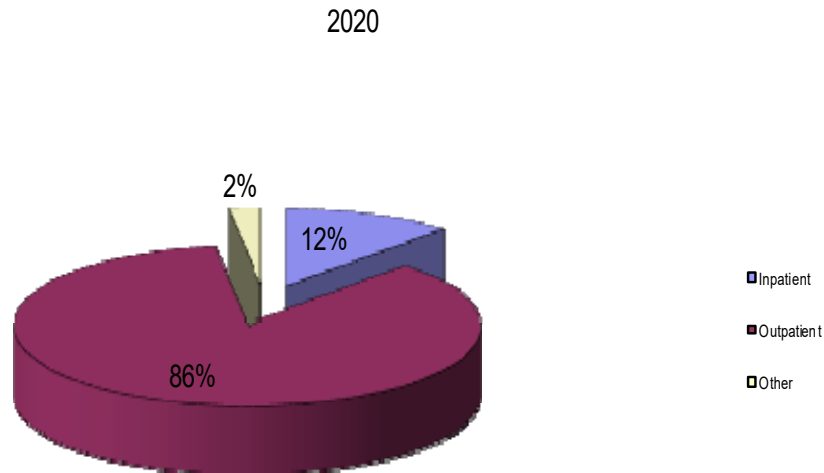
Operating Revenue

Operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as inpatient services, outpatient services, physician offices and the cafeteria.

Operating revenue changes were a result of the following factors:

- Gross patient revenue decreased by 0.1 percent, while net patient service revenue increased by 3.3 percent. To calculate net patient service revenue, gross patient revenue is reduced by revenue deductions. These deductions are the amounts that are not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, Anthem and other commercial carriers. These revenue deductions have varied over the past three years and were 52.2 percent in 2020, 53.9 percent in 2019, and 52.0 percent in 2018. The change in revenue deductions is due in part to third-party settlement estimates, state reimbursements for indigent care and changes in bad debt allowances.
- Other operating revenue increased 4.8 percent for 2020, which was due to variations in items included in other operating revenue. In 2019 and 2018, other operating revenue increased 36.0 percent and decreased 3.3 percent, respectively.

The following is a graphic illustration of gross operating revenue by source:



Paulding County Hospital

A Component Unit of Paulding County, Ohio

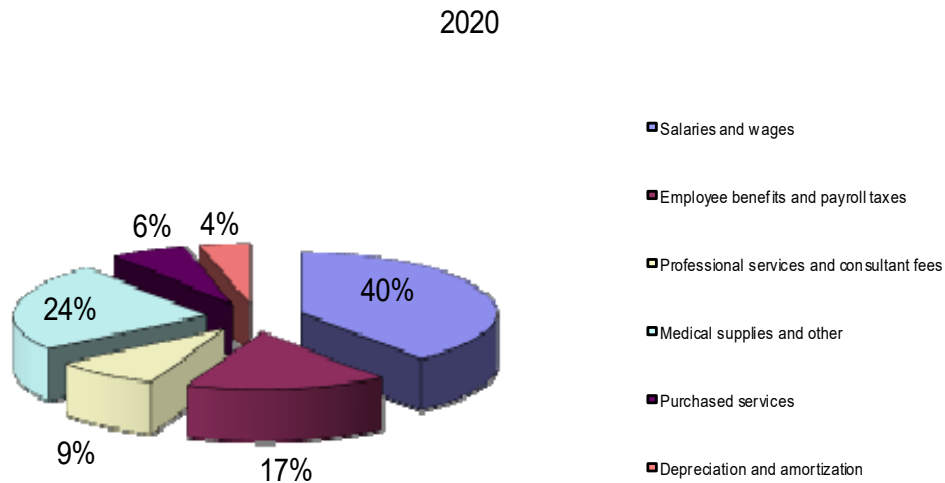
Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

Operating Expenses

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

- Salary costs decreased 0.7 percent, due primarily to continued management of staffing levels in the current year. Salary costs decreased 1.6 percent for 2019 and increased 5.1 percent in 2018.
- Benefit costs decreased 33.2 percent, due primarily to decreased pension expense. Benefit costs increased 55.7 percent in 2019 and decreased 7.4 percent in 2018.
- Professional services and consultant fees increased 3.0 percent due primarily to inflationary increases associated with various professional services and consultant fees. Professional services and consultant fees increased 1.5 and 2.4 percent in 2019 and 2018, respectively.
- Medical supplies and drugs increased 9.8 percent, due primarily to patient volume fluctuations. Medical supplies and drugs increased 6.7 percent in 2019 and decreased 3.3 percent in 2018.
- Purchased services increased 11.7 percent, primarily due to inflationary increases and fluctuations based on volume and needs of the Hospital. Purchased services increased 7.9 and 6.8 percent in 2019 and 2018, respectively.
- The following is a graphic illustration of operating expenses by type:



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Nonoperating Revenue and Expenses

Nonoperating revenue and expenses are all sources and uses that are primarily nonexchange in nature. They consist of noncapital grant, investment income, other income/expenses and contributions.

There was an increase in nonoperating revenue from the prior year, primarily as a result of noncapital grants and improved investment income associated with assets limited as to use.

The Hospital's Cash Flows

Another way to assess the financial health of a hospital is to look at the statement of cash flows.

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

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

	Year Ended December 31			2020/2019
	2020	2019	2018	Increase (Decrease)
Cash Provided by (Used in)				
Operating activities	\$ (1,566,170)	\$ 1,041,909	\$ 1,009,751	\$ (2,608,079)
Noncapital financing activities	4,139,334	76,322	63,700	4,063,012
Capital and related financing activities	(1,506,418)	(967,518)	(1,610,537)	(538,900)
Investing activities	586,841	(276,427)	4,621	863,268
Net Decrease in Cash and Cash Equivalents	1,653,587	(125,714)	(532,465)	1,779,301
Cash and Cash Equivalents, Beginning of Year	2,790,132	2,915,846	3,448,311	(125,714)
Cash and Cash Equivalents, End of Year	<u>\$ 4,443,719</u>	<u>\$ 2,790,132</u>	<u>\$ 2,915,846</u>	<u>\$ 1,653,587</u>

The Hospital's liquidity changed during the year. The following discussion amplifies the overview of cash flows presented above:

Cash used in operating activities decreased approximately \$2.6 million over the prior year. Cash from operating activities increased approximately \$32,000 in 2019 and decreased approximately \$1.5 million in 2018.

Noncapital financing activities provided cash of approximately \$4.1 million in 2020, \$76,000 in 2019 and \$64,000 in 2018.

Capital and related financing activities used cash of approximately \$1.5 million. Net capital purchases for 2019 and 2018 were approximately \$1.0 million and \$1.6 million, respectively.

Investing activities provided cash of \$.6 million in 2020. Investing activities used cash of approximately \$.3 million in 2019 and provided cash of approximately \$5,000 in 2018.

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Capital Assets

At December 31, 2020, the Hospital had \$30,576,970 invested in capital assets. Capital assets for 2019 and 2018 were \$30,551,995 and \$29,322,860, respectively. Depreciation and amortization expense totaled \$1,020,994 for the current year compared to \$931,742 and \$1,248,780 in 2019 and 2018, respectively. Details of these assets for the past three years are shown below:

	Year Ended December 31			2020/2019
	2020	2019	2018	Increase (Decrease)
Land	\$ 102,740	\$ 102,740	\$ 102,740	\$ -
Land improvements	383,744	383,744	371,244	-
Buildings and improvements	17,902,562	16,843,031	16,696,898	1,059,531
Equipment	12,187,924	12,502,117	12,104,023	(314,193)
Construction in progress	-	720,363	47,955	(720,363)
Total	<u>30,576,970</u>	<u>30,551,995</u>	<u>29,322,860</u>	<u>24,975</u>
Accumulated depreciation	<u>(22,649,611)</u>	<u>(22,854,347)</u>	<u>(21,922,605)</u>	<u>204,736</u>
Net carrying amount	<u>\$ 7,927,359</u>	<u>\$ 7,697,648</u>	<u>\$ 7,400,255</u>	<u>\$ 229,711</u>

Other Economic Factors

The Paulding County Hospital will continue to explore revenue enhancements, cost reductions and productivity improvements in an effort to remain an asset in the community. Its economic position is also closely tied to that of the local medical staff as it continually works with physicians in the community to ensure that the medical needs of the public are being met.

The Supplemental Upper Payment Limit and Health Care Assurance programs have continued to provide relief for our Medicaid shortfalls. As in the past, our Administrative Team will continue to monitor suggested changes with the Ohio Hospital Association and the Department of Job and Family Services.

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. For healthcare providers, patient volumes and related revenues were affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities. While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place. There is still considerable uncertainty around the duration and ultimate financial impacts of the COVID-19 pandemic. The Hospital continues to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

Aside from COVID-19, the healthcare industry continues to be challenged with ongoing healthcare reform and how it will impact the overall care delivery model for hospitals, physicians and other healthcare providers. Uncertainty with the fate of programs such as the Affordable Care Act requires healthcare organizations to remain vigilant and flexible. The Hospital continues to work toward operating in the most efficient manner possible to help mitigate rising costs. The Hospital collaborates with its physician practices to further incorporate patient-centered care and pay-for-performance practices that entail provider-recognition models for exemplary patient service and satisfaction.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Management's Discussion and Analysis
Years Ended December 31, 2020 and 2019

Contacting the Hospital's Financial Management

This financial report is intended to provide our county and bondholders with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds over which it has stewardship. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer.

Andrew Wannemacher
Chief Financial Officer

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Balance Sheets
December 31, 2020 and 2019

	2020	2019 (Restated - Note 2)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,627,697	\$ 977,382
Patient accounts receivable, net of allowance; \$1,789,439 for 2020 and \$1,583,479 for 2019	2,620,325	2,272,746
Notes receivable	138,899	168,140
Inventory	591,764	574,906
Estimated amounts due from third-party payers	109,475	606,928
Prepaid expenses and other	257,268	472,387
Total current assets	6,345,428	5,072,489
Assets Limited as to Use	8,265,204	8,713,639
Capital Assets, Net	7,927,359	7,697,648
Net Pension Asset, Pension	231,743	124,719
Total assets	22,769,734	21,608,495
Deferred Outflows of Resources		
Pension	1,864,480	5,180,180
Other postemployment benefits related	1,386,776	804,459
Total deferred outflows of resources	3,251,256	5,984,639
Total assets and deferred outflows of resources	\$ 26,020,990	\$ 27,593,134
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 886,663	\$ 1,228,656
Accrued expenses and other	2,017,576	1,238,139
Estimated amounts due to third-party payers	2,873,955	3,779,797
Total current liabilities	5,778,194	6,246,592
Noncurrent Liabilities		
Other noncurrent liabilities	356,065	388,238
Pension	11,613,720	16,915,634
Other postemployment benefits related	8,565,883	8,534,700
Total noncurrent liabilities	20,535,668	25,838,572
Total liabilities	26,313,862	32,085,164
Deferred Inflows of Resources		
Pension	2,835,900	273,050
Other postemployment benefits related	1,424,181	23,157
Total deferred inflows of resources	4,260,081	296,207
Net Position		
Net investment in capital assets	7,912,353	7,426,929
Restricted - net pension asset	231,743	124,719
Unrestricted	(12,697,049)	(12,339,885)
Total net position	(4,552,953)	(4,788,237)
Total liabilities, deferred inflows of resources and net position	\$ 26,020,990	\$ 27,593,134

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019 (Restated - Note 2)
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$1,464,044 and 2019 - \$1,292,166	\$ 20,609,704	\$ 19,943,626
Other	965,767	921,352
Total operating revenue	21,575,471	20,864,978
Operating Expenses		
Salaries and wages	9,718,811	9,782,263
Employee benefits and payroll taxes	1,589,812	1,476,532
Pension	1,660,358	3,853,655
Other postemployment benefits related	871,336	843,349
Medical supplies and other	5,992,566	5,455,954
Professional services and consultant fees	2,192,809	2,128,769
Purchased services	1,565,487	1,401,949
Depreciation	1,020,994	931,742
Total operating expenses	24,612,173	25,874,213
Operating Loss	(3,036,702)	(5,009,235)
Nonoperating Revenue		
Noncapital grants	3,106,150	-
Investment income	105,893	113,043
Contributions	24,127	36,300
Other income	35,816	40,022
Total nonoperating revenue	3,271,986	189,365
Decrease in Net Position	235,284	(4,819,870)
Net Position, Beginning of Year, as Previously Reported	(4,788,237)	2,905,588
Effect of Restatement (Note 2)	-	(2,873,955)
Net Position, Beginning of Year, as Restated	(4,788,237)	31,633
Net Position, End of Year	\$ (4,552,953)	\$ (4,788,237)

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019 (Restated - Note 2)
Operating Activities		
Receipts from and on behalf of patients	\$ 19,853,736	\$ 21,618,468
Payments to suppliers and contractors	(9,638,881)	(8,791,839)
Payments to employees	(12,746,792)	(12,706,072)
Other receipts, net	965,767	921,352
Net cash provided by (used in) operating activities	(1,566,170)	1,041,909
Noncapital Financing Activities		
Noncapital grants, gifts and other	4,139,334	76,322
Net cash provided by noncapital financing activities	4,139,334	76,322
Capital and Related Financing Activities		
Purchase of capital assets	(1,506,418)	(967,518)
Net cash used in capital and related financing activities	(1,506,418)	(967,518)
Investing Activities		
Investment income	105,893	113,043
Purchases of assets limited as to use	451,707	(396,781)
Advances to physicians (notes receivable), net of forgiveness	29,241	7,311
Net cash provided by (used in) investing activities	586,841	(276,427)
Increase (Decrease) in Cash and Cash Equivalents	1,653,587	(125,714)
Cash and Cash Equivalents, Beginning of Year	2,790,132	2,915,846
Cash and Cash Equivalents, End of Year	\$ 4,443,719	\$ 2,790,132
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 2,627,697	\$ 977,382
Internally-designated cash included in noncurrent cash	1,816,022	1,812,750
Total cash and cash equivalents	\$ 4,443,719	\$ 2,790,132
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating loss	\$ (3,036,702)	\$ (5,009,235)
Depreciation	1,020,994	931,742
Provision for uncollectible accounts	1,464,044	1,292,166
Changes in operating assets and liabilities		
Patient accounts receivable	(1,811,623)	(722,378)
Inventory	(16,858)	161,620
Prepaid expenses and other	215,119	(47,529)
Accounts payable	(86,280)	80,742
Accrued compensated expenses and other	1,093,525	3,249,727
Estimated amounts due to and due from third-party payers	(408,389)	1,105,054
Net cash (used in) provided by operating activities	\$ (1,566,170)	\$ 1,041,909
Accrued Compensated Expenses and Other Activities		
Accrued expenses and other	\$ (225,977)	\$ (208,026)
Deferred outflows of resources - pensions	3,315,700	(2,791,743)
Deferred outflows of resources - other postretirement benefits	(582,317)	(266,458)
Deferred inflows of resources - pensions	2,562,850	(2,142,001)
Deferred inflows of resources - other postretirement benefits	1,401,024	(494,081)
Net pension asset - pensions	(107,024)	19,830
Net pension liability - pensions	(5,301,914)	7,540,919
Net pension liability - other postretirement benefits	31,183	1,591,287
Net accrued compensated expenses and other activities	\$ 1,093,525	\$ 3,249,727
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	\$ 15,006	\$ 270,719

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

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

Nature of Operations and Reporting Entity

Paulding County Hospital (Hospital) is a 25-bed critical access hospital located in Paulding, Ohio. The Hospital operates under the authority of Section 339, Ohio Revised Code, to provide inpatient, outpatient and emergency care services for the residents of Paulding County, Ohio. A Board of Trustees appointed by the County Commissioners, the probate judge and the Judge of the Court of Common Pleas of Paulding County governs the Hospital. The Hospital is considered a component unit of Paulding County, Ohio (County).

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets and liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position, if applicable, when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash and cash equivalents.

Assets Limited as to Use and Investment Income

Assets limited as to use consist of cash equivalents and certificates of deposit plus accrued interest and include assets set aside by the Hospital's Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Certificates of deposit are stated at cost, plus accrued interest, which approximates market value.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Investment income on board-designated funds (funded depreciation) is recorded as nonoperating income.

Patient Accounts Receivable

Accounts receivable from patients, insurance companies and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. 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 and interim payment advances is based on expected payment rates from payers based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payers.

Inventory

Inventories, consisting primarily of medical supplies and drugs, are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

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

Land improvements	5-25 years
Buildings and building improvements	5-50 years
Fixed equipment	3-20 years
Major moveable equipment	3-20 years

Notes Receivable

Notes receivable represent loans to physicians under various cash flow support and loan arrangements. These loans are to be repaid in varying monthly installments, including varying interest rates ranging from the minimum applicable federal rate to prime plus 1 percent, and are unsecured. A majority of the physician notes receivable are forgiven over time under the terms specified in the physician loan agreement.

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 balance sheets.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Compensated Absences

Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a current or long-term liability in the financial statements depending on when amounts are expected to be paid. Employees accumulate vacation days at varying rates depending on years of service. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-half of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Employees hired after June 8, 2001, are only eligible to receive termination payments on one-half of the accumulated sick leave balance up to a maximum of 240 hours.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

The Hospital participates in two cost-sharing multiple-employer defined benefit pension plans administered by the Ohio Public Employees Retirement System, the Traditional Pension Plan and the Combined Plan (Plans). For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the Ohio Public Employees Retirement System (the OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 balance sheets.

Net Position

Net position of the Hospital is classified in three components. The net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position represents the net pension asset of the Hospital. Unrestricted net position can be either positive or negative and represents the remaining assets less remaining liabilities that do not meet the definition of the net investment in capital assets or restricted net position.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Net Patient Service Revenue

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

Charity Care

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

Grants and Contributions

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

Income Taxes

As an instrumentality of a political subdivision of the state of Ohio, the Hospital is generally exempt from federal and state income taxes under the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Risk Management

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

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

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Restatements of Prior Years' Financial Statements

During the year ended December 31, 2020, the Hospital identified two errors related to the 2019 and prior financial statements. The first error relates to the Hospital incorrectly determining amounts owed to Medicare for each calendar year. The second error relates to not including the amount of capital assets in accounts payable when determining the net investment in capital assets on the balance sheet. The effect of the restatements on the Hospital's financial statements was as follows:

Balance Sheet	2019, As Previously Reported	2019, As Restated	Effect of Change
Estimated amounts due to third-party payers	\$ -	\$ 3,779,797	\$ 3,779,797
Current liabilities	2,466,795	6,246,592	3,779,797
Total liabilities	28,305,367	32,085,164	3,779,797
Net position, net investment in capital assets	7,697,648	7,426,929	(270,719)
Net position, unrestricted	(8,830,807)	(12,339,885)	(3,509,078)
Total net position	(1,008,440)	(4,788,237)	(3,779,797)

Statement of Revenues, Expenses and Changes in Net Position	2019, As Previously Reported	2019, As Restated	Effect of Change
Net patient service revenue	\$ 20,849,468	\$ 19,943,626	\$ (905,842)
Total operating revenues	21,770,820	20,864,978	(905,842)
Operating loss	(4,103,393)	(5,009,235)	(905,842)
Decrease in net position	(3,914,028)	(4,819,870)	(905,842)

Statement of Cash Flows	2019, As Previously Reported	2019, As Restated	Effect of Change
Reconciliation of operating income to net cash provided by			
Operating Activities			
Operating activities			
Operating loss	\$ (4,103,393)	\$ (5,009,235)	\$ (905,842)
Estimated amounts due to and due from third-party payors	199,212	1,105,054	905,842

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Note 3: Net Patient Service Revenue

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

Medicare - Effective January 1, 2001, the Hospital received full accreditation from the Centers for Medicare and Medicaid Services for the critical access hospital designation. As a critical access hospital, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Hospital is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Approximately 50 and 46 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for each of the years ended December 31, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 4: Deposits, Investments and Investment Income

Chapter 135 of the Ohio Uniform Depositor Act authorizes local governmental units to make deposits in any national bank located in the state, subject to inspection by the superintendent of financial institutions, as 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, by the treasurer or governing board investing in these instruments.

The Hospital has designated seven banks for the deposit of its funds. Investment of interim funds is limited to bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds and the Ohio subdivision's fund (STAR Ohio).

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Statutes require the classification of funds held by the Hospital into three categories:

Active Funds - Active funds are required to be kept in a “cash” or “near cash” status for immediate use by the Hospital. Such funds must be maintained either in depository accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive Funds - Inactive funds are not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Funds - Interim funds are funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio law permits interim funds to be invested or deposited in the following securities:

1. Bonds, notes or other obligations guaranteed by the United States or those for which the faith of the United States is pledged for the payment of principal and interest
2. Bonds, notes, debentures or other obligations or securities issued by any federal governmental agency
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
4. Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit, maturing not more than one year from date of deposit, or by savings or deposit accounts, including but not limited to passbook accounts
5. Bonds and other obligations of the state of Ohio
6. The Ohio State Treasurer’s investment pool (STAR Ohio)
7. Commercial paper and bankers’ acceptances which meet the requirements established by Ohio Revised Code SEC 135.142
8. Under limited circumstances, corporate debt interest in either of the two highest rating classifications by at least two nationally recognized rating agencies

Protection of the Hospital’s deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Hospital and must be purchased with the expectation that it will be held to maturity.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

The Hospital's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a specific deposit policy for custodial credit risk. At December 31, 2020, the Hospital had no bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Hospital believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. However, since all of the Hospital's bank deposits are collateralized, the Hospital believes it has maintained an acceptable risk level at these institutions.

Summary of Carrying Values

The Hospital's deposits are comprised of the following:

	<u>2020</u>	<u>2019</u>
Carrying value		
Cash and cash equivalents	\$ 2,627,697	\$ 977,382
Assets whose use is limited		
Money market funds	1,816,022	1,750,864
Certificates of deposit	6,359,361	6,771,460
Accrued interest	89,821	191,315
	<u>\$ 10,892,901</u>	<u>\$ 9,691,021</u>
Deposits		
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 11,258,910	\$ 9,943,680
Amount of deposits covered by federal depository insurance	<u>(3,611,314)</u>	<u>(3,578,660)</u>
Uninsured but collateralized	<u>\$ 7,647,596</u>	<u>\$ 6,365,020</u>

Investment Income

Investment income for the year ended December 31 consisted of:

	<u>2020</u>	<u>2019</u>
Interest income	<u>\$ 105,893</u>	<u>\$ 113,043</u>

Paulding County Hospital
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Notes to Financial Statements
December 31, 2020 and 2019

Assets Limited as to Use

The composition of assets limited as to use, which are comprised of money market funds, certificates of deposit and accrued interest receivable at December 31 are described below:

	<u>2020</u>	<u>2019</u>
Designated by the Board for capital improvements		
Deposits in financial institutions	\$ 8,175,383	\$ 8,522,324
Accrued interest receivable	89,821	191,315
	<u>8,265,204</u>	<u>8,713,639</u>
Total assets limited as to use	<u>\$ 8,265,204</u>	<u>\$ 8,713,639</u>

Note 5: Patient Accounts Receivable

Patient accounts receivable at December 31 consisted of:

	<u>2020</u>	<u>2019</u>
Patient accounts receivable	\$ 7,589,487	\$ 6,344,529
Less		
Allowance for uncollectible amounts	1,789,439	1,583,479
Allowance for contractual adjustments	3,179,723	2,488,304
	<u>2,620,325</u>	<u>2,272,746</u>
Patient accounts receivable, net	<u>\$ 2,620,325</u>	<u>\$ 2,272,746</u>

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payer agreements. The composition of receivables from patients and third-party payers consisted of:

	<u>2020</u>	<u>2019</u>
Medicare	49%	42%
Medical Mutual of Ohio	16%	17%
Medicaid	9%	10%
Other third-party payers	19%	22%
Patient pay	7%	9%
	<u>100%</u>	<u>100%</u>

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Financial Statements
December 31, 2020 and 2019

Note 6: Capital Assets

Capital assets activity for the years ended December 31 were:

	2020			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	\$ 102,740	\$ -	\$ -	\$ 102,740
Land improvements	383,744	-	-	383,744
Building and building improvements	16,843,031	1,059,531	-	17,902,562
Fixed equipment	1,402,538	19,111	-	1,421,649
Major moveable equipment	11,099,579	892,426	(1,225,730)	10,766,275
Construction in progress	720,363	(720,363)	-	-
	<u>30,551,995</u>	<u>1,250,705</u>	<u>(1,225,730)</u>	<u>30,576,970</u>
Less accumulated depreciation				
Land improvements	254,580	20,819	-	275,399
Building and building improvements	11,677,221	539,754	-	12,216,975
Fixed equipment	1,369,671	3,802	-	1,373,473
Major moveable equipment	9,552,875	456,619	(1,225,730)	8,783,764
	<u>22,854,347</u>	<u>1,020,994</u>	<u>(1,225,730)</u>	<u>22,649,611</u>
Capital assets, net	<u>\$ 7,697,648</u>	<u>\$ 229,711</u>	<u>\$ -</u>	<u>\$ 7,927,359</u>

	2019			
	Beginning Balance	Additions/ Transfers	Disposals	Ending Balance
Land	\$ 102,740	\$ -	\$ -	\$ 102,740
Land improvements	371,244	12,500	-	383,744
Building and building improvements	16,696,898	146,133	-	16,843,031
Fixed equipment	1,366,957	35,581	-	1,402,538
Major moveable equipment	10,737,066	362,513	-	11,099,579
Construction in progress	47,955	672,408	-	720,363
	<u>29,322,860</u>	<u>1,229,135</u>	<u>-</u>	<u>30,551,995</u>
Less accumulated depreciation				
Land improvements	233,913	20,667	-	254,580
Building and building improvements	11,196,224	480,997	-	11,677,221
Fixed equipment	1,366,957	2,714	-	1,369,671
Major moveable equipment	9,125,511	427,364	-	9,552,875
	<u>21,922,605</u>	<u>931,742</u>	<u>-</u>	<u>22,854,347</u>
Capital assets, net	<u>\$ 7,400,255</u>	<u>\$ 297,393</u>	<u>\$ -</u>	<u>\$ 7,697,648</u>

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Note 7: Long-Term Obligations

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

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Other long-term obligations					
Accrued compensated absences	\$ 688,238	\$ 517,090	\$ (549,263)	\$ 656,065	\$ 300,000
Net pension liability	16,915,634	-	(5,301,914)	11,613,720	-
Net other postemployment benefits related	8,534,700	31,183	-	8,565,883	-
Total other long-term obligations	<u>\$ 26,138,572</u>	<u>\$ 548,273</u>	<u>\$ (5,851,177)</u>	<u>\$ 20,835,668</u>	<u>\$ 300,000</u>
	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Other long-term obligations					
Accrued compensated absences	\$ 755,972	\$ 410,499	\$ (478,233)	\$ 688,238	\$ 300,000
Net pension liability	9,374,715	7,540,919	-	16,915,634	-
Net other postemployment benefits related	6,943,413	1,591,287	-	8,534,700	-
Total other long-term obligations	<u>\$ 17,074,100</u>	<u>\$ 9,542,705</u>	<u>\$ (478,233)</u>	<u>\$ 26,138,572</u>	<u>\$ 300,000</u>

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Note 8: 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-made 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 exceeding \$3,000,000 for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage.

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

While there is pending litigation against the Hospital, management is not aware of any such medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of the insurance policy represents the Hospital's cost for such claims for the year and it has been charged to operations as a current expense.

The Hospital is exposed to various risks of loss related to property and general losses and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years. See Note 9 for discussion of self-insured health programs.

Note 9: Accrued Liabilities and Other

Accrued expenses included in current liabilities at December 31 consisted of:

	2020	2019
Payroll and related items	\$ 530,137	\$ 767,916
Compensated absences	300,000	300,000
Deferred government grants	973,241	-
Health insurance claims	214,198	170,223
	\$ 2,017,576	\$ 1,238,139

Note 10: Self-insurance

The Hospital is partially self-insured under a plan covering all employees for employee health insurance. The plan is covered by a stop-loss policy that covers claims over \$65,000 per employee or total claims in excess of \$1,132,295. The plan policy year ends on December 31. Claims, charged to operations when incurred, were approximately \$1,257,000 and \$1,177,000 for the years ended December 31, 2020 and 2019, respectively.

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A reconciliation of accrued health insurance at December 31, 2020, consists of the following:

Balance at January 1, 2019	\$	206,928
Health insurance expense		1,176,585
Payments made		<u>(1,213,290)</u>
Balance at December 31, 2019		170,223
Health insurance expense		1,257,324
Payments made		<u>(1,213,349)</u>
Balance at December 31, 2020	\$	<u>214,198</u>

Note 11: Contingencies

Litigation

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

Note 12: Multiple-employer Plans

Defined Benefit Pension Plans

Plan Description

The Hospital contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. All employees are required to join OPERS. OPERS administers two defined benefit pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.

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2. The Combined Plan – a cost-sharing, multi-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan, a defined contribution pension plan discussed in greater detail under “Defined Contribution Plan” in this footnote.

OPERS issues a stand-alone financial report. This report may be obtained by contacting the organization as follows:

OPERS
277 East Town Street
Columbus, Ohio 43215-4642
Telephone (800) 222-7377
www.opers.org

Benefits Provided

Plan benefits for OPERS are established under Chapter 145 of the Ohio Revised Code (ORC). Members are categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire on January 7, 2013, and those eligible to retire no later than five years after that date comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013, or are eligible to retire no later than 10 years after January 7, 2013, are included in transition group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Additionally, OPERS has three separate divisions with varying degrees of benefits: (1) state and local, (2) law enforcement and (3) public safety. The Hospital does not have any employees included in the law enforcement or public safety divisions.

Benefits in the Traditional Plan for state and local members are calculated on the basis of age, final average salary 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. State and local members of Group C are eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For groups A and B, the annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. For group C, the annual benefit applies a factor of 2.2 percent for the first 35 years and a factor of 2.5 percent for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member’s career for groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

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OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined plan for age and years of service are identical to the defined benefit plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0 percent to the member’s final average salary for the first 30 years of service. A factor of 1.25 percent is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0 percent to the member’s final average salary for the first 35 years of service and a factor of 1.25 percent is applied to years in excess of 35. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

A cost-of-living adjustment (COLA) is provided each year and is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Only active employees of the Hospital participate and are covered by the plan. At December 31, 2019 and 2018, approximately 260 and 230 employees, respectively, participated and were covered by the OPERS Pension Plans.

Contributions

The ORC provides OPERS statutory authority over employee and employer contributions. The required contractually determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contractually required contribution rates to OPERS for employees and the Hospital are as follows for each of the years ended December 31, 2020 and 2019:

	OPERS
Employees	10%
Hospital	14%

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The Plan Administrator determines the allocation of the contributions between the defined benefit retirement plans and the OPEB plan. During 2020 and 2019, all employer contributions to OPERS for members participating in the Traditional and Combined Plan were allocated to the respective retirement plan.

Hospital contributions for the years ended December 31, 2020 and 2019, were as follows:

	OPERS	
	2020	2019
Traditional plan	\$ 1,150,249	\$ 1,157,389
Combined plan	65,194	69,261
Total	\$ 1,215,443	\$ 1,226,650

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

The net pension asset and liability were measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension asset or liability were determined by actuarial valuations as of those dates. The Hospital reported an asset and a liability for OPERS of \$231,743 and \$11,613,720, respectively, as of December 31, 2020, and \$124,917 and \$16,915,634, for 2019, respectively, for its proportionate share of the total pension asset and liability. The Hospital's proportion of the net pension asset and liability was based on the Hospital's contributions to the Plans relative to the contributions of all participating employers to the Plans for the respective measurement periods. At December 31, 2020, the Hospital's proportion was 0.058757 percent for OPERS Traditional Pension Plan and 0.111135 percent for OPERS Combined Plan. At December 31, 2019, the Hospital's proportion was 0.061763 percent for OPERS Traditional Pension Plan and 0.111533 percent for OPERS Combined Plan. The Hospital's changes in proportion between the two years were (.0030) percent and (.0004) percent for the OPERS Traditional Pension Plan and OPERS Combined Plan, respectively.

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For the years ended December 31, 2020 and 2019, the Hospital recognized pension expense of \$1,685,055 and \$3,853,655, respectively. At December 31, 2020 and 2019, 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
Differences between expected and actual experience	\$ -	\$ 146,839	\$ -	\$ 54,406	\$ -	\$ 201,245
Net difference between projected and actual earnings on pension plan investments	-	2,316,676	-	30,058	-	2,346,734
Change in assumption	620,309	-	23,895	-	644,204	-
Change in the Hospital's proportion	-	287,921	4,833	-	4,833	287,921
Hospital's contributions subsequent to the measurement date	1,150,249	-	65,194	-	1,215,443	-
	<u>\$ 1,770,558</u>	<u>\$ 2,751,436</u>	<u>\$ 93,922</u>	<u>\$ 84,464</u>	<u>\$ 1,864,480</u>	<u>\$ 2,835,900</u>

	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
Differences between expected and actual experience	\$ 780	\$ 222,112	\$ -	\$ 50,938	\$ 780	\$ 273,050
Net difference between projected and actual earnings on pension plan investments	2,295,925	-	26,866	-	2,322,791	-
Change in assumption	1,472,547	-	27,855	-	1,500,402	-
Change in the Hospital's proportion	124,040	-	5,517	-	129,557	-
Hospital's contributions subsequent to the measurement date	1,157,389	-	69,261	-	1,226,650	-
	<u>\$ 5,050,681</u>	<u>\$ 222,112</u>	<u>\$ 129,499</u>	<u>\$ 50,938</u>	<u>\$ 5,180,180</u>	<u>\$ 273,050</u>

At December 31, 2020, the Hospital reported \$1,150,249 and \$65,194 for the traditional and combined plans, respectively, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date that will be recognized as a decrease (increase) to the net pension liability (asset) in the year ending December 31, 2021.

At December 31, 2019, the Hospital reported \$1,157,389 and \$69,261 for the traditional and combined plans, respectively, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date that will be recognized as a decrease (increase) to the net pension liability (asset) in the year ending December 31, 2020.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020, related to pensions will be recognized in pension expense as follows:

	Traditional	Combined	Total
2021	\$ (417,559)	\$ (13,627)	\$ (431,186)
2022	(889,629)	(13,062)	(902,691)
2023	95,933	(4,681)	91,252
2024	(919,872)	(15,686)	(935,558)
2025	-	(1,930)	(1,930)
Thereafter	-	(6,750)	(6,750)
	<u>\$ (2,131,127)</u>	<u>\$ (55,736)</u>	<u>\$ (2,186,863)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

OPERS	Traditional Plan	Combined Plan
Valuation date	December 31, 2019	December 31, 2019
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Wage inflation	3.25%	3.25%
Salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.2%	7.2%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 1.40% simple through 2019 Post 2019: 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 1.40% simple through 2019 Post 2019: 2.15% simple

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The total pension liability in the December 31, 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

OPERS	Traditional Plan	Combined Plan
Valuation date	December 31, 2018	December 31, 2018
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Wage inflation	3.25%	3.25%
Salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.2%	7.2%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple Post 1/7/2013 retirees: 3.00% simple through 2018 Post 2018: 2.15% simple

Mortality rates for OPERS are the RP-2014 mortality table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used.

The long-term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return were 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 allocation percentage, adjusted for inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

December 31, 2020	OPERS	
Asset Class	Allocation	Long-Term Expected Rate of Return
Domestic equities	19.0%	5.75%
International equities	21.0%	7.66%
Fixed income	25.0%	1.83%
Real estate	10.0%	5.20%
Private equity	12.0%	10.70%
Other investments	13.0%	4.98%
	100.0%	

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December 31, 2019	Asset Class	OPERS	
		Allocation	Long-Term Expected Rate of Return
	Domestic equities	19.0%	6.21%
	International equities	20.0%	7.83%
	Fixed income	23.0%	2.79%
	Real estate	10.0%	4.90%
	Private equity	10.0%	10.81%
	Other investments	18.0%	5.50%
		100.0%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.2 percent for the years ended December 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability (asset) as of December 31, 2020, has been calculated using a discount rate of 7.2 percent. The following presents the Hospital's proportionate share of the net pension liability (asset) calculated using a discount rate 1 percent higher and 1 percent lower than the current rate:

	1% Decrease	2020 Discount Rate	1% Increase
	6.2%	7.2%	8.2%
Hospital's proportionate share of the net pension liability - Traditional	\$ 19,154,782	\$ 11,613,321	\$ 4,834,526
Hospital's proportionate share of the net pension liability (asset) - Combined	(140,030)	(231,161)	(297,842)

Pension Plans Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued OPERS financial report.

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Defined Contribution Plan

OPERS also offers a defined contribution plan, the Member-Directed (MD) Plan, in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The MD Plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Pension expense recorded for the years ended December 31, 2020 and 2019, for employer contributions to the Member-Directed Plan was approximately \$77,000 and \$61,000, respectively.

Deferred Compensation Plan

All full-time employees of the Hospital may participate in a deferred compensation plan created by the state of Ohio under the provisions of the Internal Revenue Code (IRC) Section 457, *Deferred Compensation Plans with Respect to Service for State and Local Governments*. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

Compensated assets deferred under a plan, all property, rights and all income attributable to those amounts, property or rights are held in trust at the state level for the benefit of the participants.

Note 13: Other Postemployment Benefits (OPEB)

Plan Description

The Hospital contributes to the Ohio Public Employees Retirement System (OPERS). OPERS is a statewide cost-sharing multiple-employer retirement plan that offers pension and other postemployment benefits (OPEB) covering substantially all faculty and staff. OPERS is administered by the plan's board of trustees appointed by the governor of Ohio or by plan member elections. The legislature of the state of Ohio maintains the authority to establish and amend benefits for both plans as authorized by Chapters 145 and 3307 of the Ohio Revised Code. OPERS issues a publicly available financial report.

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Benefits Provided

OPERS provides post-employment health care benefits to eligible members of the Traditional, Combined and Member-Directed pension plans with OPEB funding assets accumulated in a single health care trust (the 115 Trust). Coverage under the current program includes hospitalization, medical expenses, and prescription drugs. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries.

Beginning in 2016, OPERS Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their Health Reimbursement Account (HRA) that can be used to reimburse eligible health care expenses.

Contributions

The Ohio state legislature as authorized by Chapters 145 and 3307 of the Ohio Revised Code has the authority to establish and amend the contribution requirements of the Hospital for OPERS. Under Ohio law, funds to pay health care costs are permitted but not mandated to be deducted from employer contributions.

Under OPERS, for employees of the Hospital the statutorily required employee contribution rate for the plan years ended December 31, 2019 and 2018, was 10 percent of their annual pay. The Hospital's statutorily required employer contribution rate including pensions and OPEB for the fiscal years ended December 31, 2020 and 2019, was 14 percent of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The plan administrator determines the allocation of the contributions between the defined benefit retirement plans and the OPEB plan. During 2020 and 2019, all statutorily required employer contributions to OPERS for members participating in the Traditional and Combined Plan were allocated to the respective retirement plan.

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

At December 31, 2020 and 2019, the Hospital reported a liability of \$8,565,883 and \$8,534,700 for its proportionate share of the OPERS net OPEB liabilities measured as of December 31, 2019 and 2018, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of the respective date. The Hospital's proportions of the net OPEB liabilities for OPERS was based on actual Hospital employer contributions to the Plan during the respective measurement period in relation to total employer contributions to the Plan for the same period. At December 31, 2020 and 2019, the Hospital's proportion of the OPERS net OPEB liability was 0.062015 and 0.065462 percent, respectively.

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For the years ended December 31, 2020 and 2019, the Hospital recognized OPEB expenses for OPERS of \$849,890 and \$843,349, respectively. At December 31, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020 OPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 230	\$ 783,389
Net difference between projected and actual earnings on pension plan investments	-	436,172
Change in assumption	1,355,888	-
Change in the Hospital's proportionate share	-	204,620
Hospital's contributions subsequent to the measurement date	30,658	-
	\$ 1,386,776	\$ 1,424,181

	2019 OPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,890	\$ 23,157
Net difference between projected and actual earnings on pension plan investments	391,266	-
Change in assumption	275,169	-
Change in the Hospital's proportionate share	110,840	-
Hospital's contributions subsequent to the measurement date	24,294	-
	\$ 804,459	\$ 23,157

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At December 31, 2020 and 2019, the Hospital reported \$30,658 and \$24,294, respectively, in deferred outflows of resources related to OPEB resulting from the Hospital's contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2020, will be recognized in the OPEB expense as follows:

	OPERS
2021	\$ 119,778
2022	(1,809)
2023	347
2024	(186,379)
	\$ (68,063)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018, actuarial valuations rolled forward to the measurement date of December 31, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.16%
Investment rate of return	6.00%, net of OPEB Plan investment expense, including inflation
Municipal Bond Rate	2.75%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75%, including wage inflation at 3.25%
Health Care Cost Trend Rates	10.5% initial for 2020, decreasing 0.7% per year to an ultimate rate of 3.50% in 2030

Mortality rates were based on the RP-2014 Employees and Healthy Annuitant Mortality tables, as appropriate with adjustments for mortality improvements based on the MP-2015 mortality improvement scale.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of a five year period actuarial experience study ended December 31, 2015.

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The total OPEB liability in the December 31, 2017, actuarial valuations rolled forward to the measurement date of December 31, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.96%
Investment rate of return	6.00%, net of OPEB Plan investment expense, including inflation
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75%, including wage inflation at 3.25%
Health Care Cost Trend Rates	10.0% initial for 2019, decreasing 0.675% per year to an ultimate rate of 3.25% in 2029

Mortality rates were based on the RP-2014 Employees and Healthy Annuitant Mortality tables, as appropriate with adjustments for mortality improvements based on the MP-2015 mortality improvement scale.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of a five-year period actuarial experience study ended December 31, 2015.

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

		OPEB	
December 31, 2020	Asset Class	Allocation	Long-Term Expected Rate of Return
	Fixed income	36.0%	1.53%
	Domestic equities	21.0%	5.75%
	REITs	6.0%	5.69%
	International equities	23.0%	7.66%
	Other investments	14.0%	4.90%
		100.0%	

		OPEB	
December 31, 2019	Asset Class	Allocation	Long-Term Expected Rate of Return
	Fixed income	34.0%	2.42%
	Domestic equities	21.0%	6.21%
	REITs	6.0%	5.98%
	International equities	22.0%	7.83%
	Other investments	17.0%	5.57%
		100.0%	

Paulding County Hospital
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December 31, 2020 and 2019

Discount Rate

The discount rates used to measure the total OPEB liabilities was 3.16 and 3.96 percent for OPERS for the plan years ended December 31, 2019 and 2018, respectively. For OPERS, a single discount rate of 3.16 and 3.95 percent was used to measure the OPEB liability on the measurement date of December 31, 2019 and 2018, respectively. 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). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 and 6.00 percent and a municipal bond rate of 2.75 and 3.71 percent for the plan years ended December 31, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that participating employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient 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.

Sensitivity of the Hospital's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The Hospital's proportionate share of the net OPEB liability has been calculated using the discount rate of 3.16 percent. The following presents the Hospital's proportionate share of the net OPEB liability calculated using a discount rate 1 percent higher and 1 percent lower than the current discount rate:

	2020		
	1% Decrease	Discount Rate	1% Increase
	2.16%	3.16%	4.16%
Hospital's proportionate share of the net pension liability - OPERS	\$ 11,209,831	\$ 8,565,883	\$ 6,448,940

	2019		
	1% Decrease	Discount Rate	1% Increase
	2.96%	3.96%	4.96%
Hospital's proportionate share of the net pension liability - OPERS	\$ 10,919,062	\$ 8,534,700	\$ 6,638,501

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The Hospital's proportionate share of the net OPEB liability has been calculated using initial health care trend rates of 3.50 and 3.96 percent for the plan years ended December 31, 2020 and 2019, respectively. The following presents the Hospital's proportionate share of the net OPEB liability calculated using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates:

	1% Decrease	2020 Health Care Cost Trend Rates	1% Increase
Hospital's proportionate share of the net pension liability - OPERS	\$ 8,313,111	\$ 8,565,883	\$ 8,815,432

	1% Decrease	2019 Health Care Cost Trend Rates	1% Increase
Hospital's proportionate share of the net pension liability - OPERS	\$ 8,203,698	\$ 8,534,700	\$ 8,915,924

OPEB Plan's Fiduciary net Position

Detailed information about OPERS fiduciary net position is available in the separately issued financial report. The financial report for OPERS may be obtained online at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642.

OPEB Plan's Payable to OPERS

At December 31, 2020, the Hospital reported no payables to OPERS for the outstanding amounts of contributions to the OPEB plan required for the year ended December 31, 2020.

Note 14: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

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While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments reimposed certain restrictions due to increasing rates of COVID-19 cases. The Hospital will continue to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

The Hospital experienced temporary negative impacts to its operational results during 2020. There is considerable uncertainty around the duration and financial impact of the market disruption by the COVID-19 pandemic in future periods and cannot be reasonably estimated at this time due to many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, decreases in cash flows and operations could result, impacting debt covenant compliance and the inputs and assumptions used in significant accounting estimates, including the allowance for uncollectible accounts related to patient accounts receivable, and potential impairments of long-lived and other assets.

Provider Relief Funds

During the year ended December 31, 2020, the Hospital received \$4,048,047 of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund (Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses and lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2020, the Hospital recognized \$3,074,806 related to the distributions from the Provider Relief Fund as nonoperating COVID-19 grant revenue within the accompanying statements of revenues, expenses and changes in net position. The remaining unrecognized amount of distributions from the Provider Relief Fund of \$973,241 has been deferred and is included within accrued expenses and other on the accompanying balance sheets.

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The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Required Supplementary Information

Paulding County Hospital
A Component Unit of Paulding County, Ohio

**Schedule the of Hospital's Proportionate Share of the Net Pension (Asset)
Liability Defined Benefit Pensions (Cost-Sharing Plan – GASB 68)**

Traditional	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	0.058757%	0.061763%	0.059757%	0.061974%	0.059651%	0.063288%
Hospital's proportionate share of the net pension liability	\$ 11,613,321	\$ 16,915,634	\$ 9,374,715	\$ 14,073,242	\$ 10,332,305	\$ 7,633,240
Hospital's covered-employee payroll	8,267,064	8,342,150	7,915,193	8,013,632	8,013,632	7,759,123
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.48%	202.77%	118.44%	175.62%	128.93%	98.38%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
Combined	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension asset	0.111135%	0.111533%	0.106183%	0.104049%	0.139970%	0.134639%
Hospital's proportionate share of the net pension asset	\$ 231,161	\$ 124,719	\$ 144,549	\$ (57,910)	\$ (68,112)	\$ (51,839)
Hospital's covered-employee payroll	494,721	477,014	434,871	405,014	405,014	470,444
Hospital's proportionate share of the net pension asset as a percentage of its covered-employee payroll	46.73%	26.15%	33.24%	-14.30%	-16.82%	-11.02%
Plan fiduciary net position as a percentage of the total pension asset	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

**Schedule of Hospital Contributions
Defined Benefit Pensions (Cost-Sharing Plan – GASB 68)**

Traditional	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,150,249	\$ 1,157,389	\$ 1,167,901	\$ 1,028,975	\$ 961,636	\$ 818,826
Contributions in relation to the statutorily required contributions	<u>(1,150,249)</u>	<u>(1,157,389)</u>	<u>(1,167,901)</u>	<u>(1,028,975)</u>	<u>(961,636)</u>	<u>(818,826)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 8,216,064	\$ 8,267,064	\$ 8,342,150	\$ 7,915,192	\$ 8,013,633	\$ 6,823,550
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
Combined	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 65,194	\$ 69,261	\$ 66,782	\$ 56,533	\$ 48,602	\$ 56,981
Contributions in relation to the statutorily required contributions	<u>(65,194)</u>	<u>(69,261)</u>	<u>(66,782)</u>	<u>(56,533)</u>	<u>(48,602)</u>	<u>(56,981)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 465,671	\$ 494,721	\$ 477,014	\$ 434,869	\$ 405,017	\$ 474,843
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

The amounts presented in the Schedule of Hospital's Proportionate Share of the Net Pension (Asset) Liability are presented as of the measurement date for the respective reporting periods. The amounts presented in the Schedule of Hospital Contributions are presented as of the end of the respective reporting periods.

Paulding County Hospital
A Component Unit of Paulding County, Ohio

Schedule of the Hospital's Proportionate Share of the Net OPEB Liability
Other Post-Employment Benefits (Cost-Sharing Plan – GASB 75)

OPEB	2020	2019	2018
Hospital's proportion of the net pension liability	0.062015%	0.065462%	0.063940%
Hospital's proportionate share of the net pension liability	\$ 8,565,883	\$ 8,534,700	\$ 6,943,413
Hospital's covered-employee payroll	9,369,149	9,495,107	9,056,581
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.43%	89.89%	76.67%
Plan fiduciary net position as a percentage of the total pension liability	47.80%	46.33%	54.14%

Schedule of Hospital Contributions
Other Post-Employment Benefits (Cost-Sharing Plan – GASB 75)

OPEB	2020	2019	2018
Statutorily required contribution	\$ 30,658	\$ 24,294	\$ 27,038
Contributions in relation to the statutorily required contributions	<u>30,658</u>	<u>24,294</u>	<u>27,038</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 9,448,194	\$ 9,369,149	\$ 9,495,107
Contributions as a percentage of covered-employee payroll	0.32%	0.26%	0.28%

The amounts presented in the Schedule of Hospital's Proportionate Share of the Net OPEB Liability are presented as of the measurement date for the respective reporting periods. The amounts presented in the Schedule of Hospital Contributions are presented as of the end of the respective reporting periods.

Paulding County Hospital
A Component Unit of Paulding County, Ohio
Notes to Required Supplementary Information

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.

There were no changes in benefit terms for 2018, 2019 and 2020.

Changes of Assumptions - 2020

Amounts reported in 2020 for the defined benefit pension plan reflect the following changes in assumptions between the December 31, 2018 and December 31, 2019, measurement dates:

- Cost-of-living adjustments for post January 7, 2013 through 2018 retirees decreased from 3.00 percent to 1.40 percent.
- Mortality assumptions increased to reflect longer life expectancies.

Changes of Assumptions - 2019

Amounts reported in 2019 for the defined benefit pension plan reflect the following changes in assumptions between the December 31, 2017 and December 31, 2018 measurement dates:

- Actuarially assumed expected rate of investment return decreased from 7.5 percent to 7.2 percent.
- Mortality assumptions increased to reflect longer life expectancies.

Changes of Assumptions - 2018

Amounts reported in 2018 for the defined benefit pension plan reflect no changes in assumptions between the December 31, 2016 and December 31, 2017 measurement dates.

Paulding County Hospital

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Changes of Assumptions - 2017

Amounts reported in 2017 for the defined benefit pension plan reflect the following changes in assumptions between the December 31, 2015 and December 31, 2016, measurement dates:

- Actuarially assumed expected rate of investment return decreased from 8.0 percent to 7.5 percent.
- Actuarially assumed wage inflation decreased from 3.75 percent to 3.25 percent.
- Projected salary increases range changed from 4.25 percent – 10.05 percent to 3.25 percent – 10.75 percent for the Traditional Pension Plan and changed from 4.25 percent – 8.05 percent to 3.25 percent – 8.25 percent for the Combined Pension Plan.
- Mortality assumptions increased to reflect longer life expectancies.

Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions - 2020

Amounts reported in 2020 for the defined benefit pension plan reflect the following changes in assumptions based on an experience study for the five-year period ending on December 31, 2018:

- Actuarially assumed single discount rate decreased from 3.96 percent to 3.16 percent.
- Actuarially assumed municipal bond rate decreased from 3.71 percent to 2.75 percent.
- Health care cost trend rate increased to 10.5 percent, before levelling off to 3.50 percent in 2030.
- Mortality assumptions increased to reflect longer life expectancies.

Changes of Assumptions - 2019

Amounts reported in 2019 for the defined benefit pension plan reflect the following changes in assumptions based on an experience study for the five-year period ending on December 31, 2017:

- Actuarially assumed single discount rate increased from 3.85 percent to 3.96 percent.
- Actuarially assumed wage inflation assumption decreased from 3.75 percent to 3.25 percent.
- Actuarially assumed expected rate of investment return decreased from 6.5 percent to 6.0 percent.
- Actuarially assumed municipal bond rate increased from 3.31 percent to 3.71 percent.
- Health care cost trend rate increased to 10.0 percent, before levelling off to 3.25 percent in 2029.
- Mortality assumptions increased to reflect longer life expectancies.

Paulding County Hospital

A Component Unit of Paulding County, Ohio

Changes of Assumptions - 2018

Amounts reported in 2018 for the defined benefit pension plan reflect the following changes in assumptions based on an experience study for the five-year period ending on December 31, 2016:

- Actuarially assumed single discount rate increased from 3.85 percent to 3.96 percent.
- Actuarially assumed wage inflation assumption decreased from 3.75 percent to 3.25 percent.
- Health care cost trend rate decreased from 9.50 percent, before levelling off to 3.75 percent in 2026 to 7.50 percent, before levelling off to 3.25 percent.
- Mortality assumptions increased to reflect longer life expectancies.

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

Independent Auditor's Report

Board of Trustees
Paulding County Hospital
Paulding, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Paulding County Hospital (Hospital), a component unit of Paulding County, Ohio, which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2021, which included an emphasis of matter paragraph regarding the correction of an error.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Paulding County Hospital's Response to Finding

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

Purpose of This Report

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

BKD, LLP

Fort Wayne, Indiana
November 3, 2021

Paulding County Hospital

Schedule of Findings and Responses

Year Ended December 31, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Status
2020-001	<p>Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition: The audit of the financial statements identified material adjustments to the prior year financial statements related to amounts due to third-party payors and the net position amount of net investment in capital assets.</p> <p>Context: Management is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p>Effect: Potentially significant misstatements in the financial statements and disclosures.</p> <p>Cause: Management identified amounts were owed to Medicare during the year ended December 31, 2020, that were not properly recorded as of December 31, 2019, or prior years. The amounts were owed to Medicare as the Hospital is paid under interim payments, but claims were also being paid based on prospective rates, meaning the Hospital received duplicate payments for certain Medicare claims going back to the year ended December 31, 2015. Further, the Hospital had incorrectly calculated the net investment in capital assets within net position on the balance sheet.</p> <p>Recommendation: Management review its process for the preparation of financial statements and reporting and presentation of account balances.</p> <p>Views of responsible officials and planned corrective actions: Management has restated the prior year financial statements to appropriately reflect the amounts owed to Medicare as of December 31, 2019, and prior periods as well as the net investment in capital assets within net position. Management will also modify their preparation and review procedures to ensure proper reporting of balances going forward.</p>	

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OHIO AUDITOR OF STATE KEITH FABER



PAULDING COUNTY HOSPITAL

PAULDING 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 12/14/2021

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