

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

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Highland County Joint Township District Hospital and Affiliates, Highland County, prepared by Blue & Co., LLC, for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 06, 2022

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HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Highland County Joint Township District Hospital and Affiliates (the "Hospital"), as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of December 31, 2021 and 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages i through ix and the Required Supplemental Information on Government Accounting Standards Board (GASB) 68 Pension Liabilities and GASB 75 Other Postemployment Benefit Liabilities on pages 48 through 51, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2022 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.

Bene G., LLC

Westerville, Ohio

June 21, 2022

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The discussion and analysis of Highland County Joint Township District Hospital and its blended component units, Highland District Hospital Professional Services Corporation, Highland District Hospital Foundation and Highland Joint Township District Hospital Foundation (collectively, the "Hospital") provides an overview of the Hospital's financial activities for the year ended December 31, 2021, 2020, and 2019.

Financial Highlights

- The Hospital's net position increased \$34,216,966 in 2021 and increased by \$2,512,064 in 2020.
- The Hospital reported an operating gain of \$25,319,241 in 2021 and an operating loss of \$732,185 in 2020.
- Total operating revenues increased from 2020 to 2021 by \$13,863,981 or 26.7%. Total operating revenues increased from 2019 to 2020 by \$740,357 or 1.4%.
- The Hospital had a decrease in operating expense of \$12,187,445 or 23.2% in 2021 and a decrease of \$946,988 or 1.8% in 2020. Included in the operating expenses for 2021 was \$378,656 of expense relating to the continued impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68), and a gain of \$12,533,268 relating to the continued impact of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75). Operating expenses for 2020 included expense of \$3,779,684 and \$1,819,113 relating to GASB 68 and 75, respectively.
- The Hospital recognized noncapital grants income of \$4,825,672 and \$2,272,777 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other stimulus funding legislation in 2021 and 2020, respectively to provide relief from financial impacts due to the coronavirus (COVID-19) pandemic.

Using This Annual Report

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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

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

Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred outflows and inflows of resources. In 2021, the Hospital's net position increased by \$34,216,966. As noted on page i, \$4,825,672 of this increase related to CARES Act funding, an increase in net patient service revenue of \$13,867,858, and a gain of \$12,533,268 associated with GASB 75. In 2020, the Hospital's net position increased by \$2,512,064, primarily related to CARES Act funding recognized of \$2,272,777.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of the Hospital as of December 31, 2021, 2020, and 2019:

	December 31		
	2021	2020	2019
Assets and deferred outflows of resources			
Current assets	\$ 22,070,399	\$ 23,118,150	\$ 12,099,897
Noncurrent assets	33,663,744	17,569,993	25,080,261
Capital assets, net	31,195,585	33,273,871	25,473,500
Deferred outflows - pension	2,683,601	3,516,945	9,181,175
Deferred outflows - other post-employment benefits	1,071,165	2,610,729	1,276,209
Deferred outflows-other	-	23,345	53,335
Total assets and deferred outflows of resources	<u>\$ 90,684,494</u>	<u>\$ 80,113,033</u>	<u>\$ 73,164,377</u>
Liabilities and deferred inflows of resources			
Current liabilities	\$ 5,818,332	\$ 13,547,969	\$ 9,322,728
Long-term liabilities	18,218,139	40,694,333	47,071,268
Deferred inflows-pension	7,347,089	4,828,514	484,648
Deferred inflows - other post-employment benefits	6,327,252	2,285,501	41,081
Total liabilities and deferred outflows of resources	<u>\$ 37,710,812</u>	<u>\$ 61,356,317</u>	<u>\$ 56,919,725</u>
Net position			
Net investment in capital assets	\$ 31,195,585	\$ 31,578,871	\$ 22,868,500
Restricted	2,830,654	1,132,446	933,336
Unrestricted	18,947,443	(13,954,601)	(7,557,184)
Total net position	<u>\$ 52,973,682</u>	<u>\$ 18,756,716</u>	<u>\$ 16,244,652</u>

The most significant change in the Hospital's net position in 2021, 2020 and 2019 was the result of operations during the years and the effects of GASB 68 and GASB 75.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Results and Changes in Net Position

The following is a comparative analysis of the statements of revenues and expenses and changes in net position for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31		
	2021	2020	2019
Operating revenues			
Net patient service revenue	\$ 64,642,372	\$ 50,774,514	\$ 50,001,751
Other operating revenue	1,106,066	1,109,943	1,142,349
Total operating revenues	<u>65,748,438</u>	<u>51,884,457</u>	<u>51,144,100</u>
Operating expenses			
Salaries and wages	22,060,414	20,065,992	19,973,853
Employee benefits	3,974,765	3,302,668	3,559,817
Pension	378,656	3,779,684	6,923,842
Other post-employment benefits	(12,539,346)	1,819,113	1,386,022
Supplies	10,516,045	9,071,335	7,996,451
Purchased services	6,225,497	6,038,211	5,515,687
Physician fees	3,568,817	3,480,652	3,504,770
Depreciation and amortization	3,569,569	2,653,775	2,255,948
Professional fees	145,891	177,413	136,699
Utilities	888,440	818,358	839,512
Insurance	327,319	285,502	273,663
Franchise fees	978,942	756,937	620,653
Other operating expense	334,188	367,002	576,713
Total operating expenses	<u>40,429,197</u>	<u>52,616,642</u>	<u>53,563,630</u>
Operating gain (loss)	25,319,241	(732,185)	(2,419,530)
Non-operating gains (losses)			
Investment income	(540,669)	773,749	1,136,173
Grant expense	-	(250,000)	(900,000)
Interest expense	(48,623)	(89,819)	(148,781)
Noncapital grants and gifts	5,085,693	2,659,457	263,095
Other non-operating gains (losses)	4,401,324	150,862	2,431
Total non-operating gains (losses)	<u>8,897,725</u>	<u>3,244,249</u>	<u>352,918</u>
Change in net position	34,216,966	2,512,064	(2,066,612)
Net position - beginning of year	<u>18,756,716</u>	<u>16,244,652</u>	<u>18,311,264</u>
Net position - end of year	<u>\$ 52,973,682</u>	<u>\$ 18,756,716</u>	<u>\$ 16,244,652</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

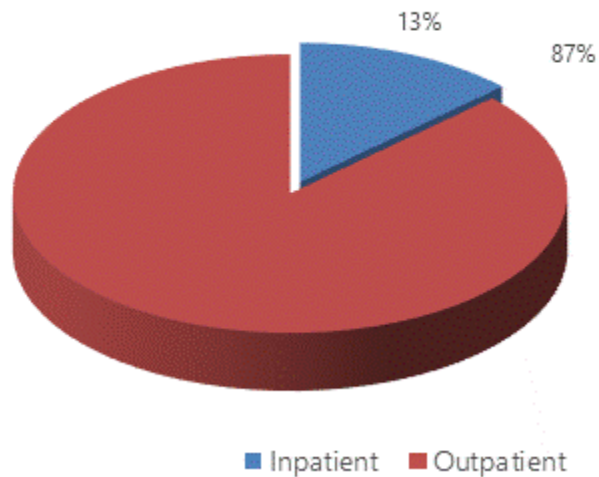
Operating Revenues

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

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$13,867,858 or 27.3% from 2020 to 2021.
- Net patient service revenue increased \$772,763 or 1.5% from 2019 to 2020.

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



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

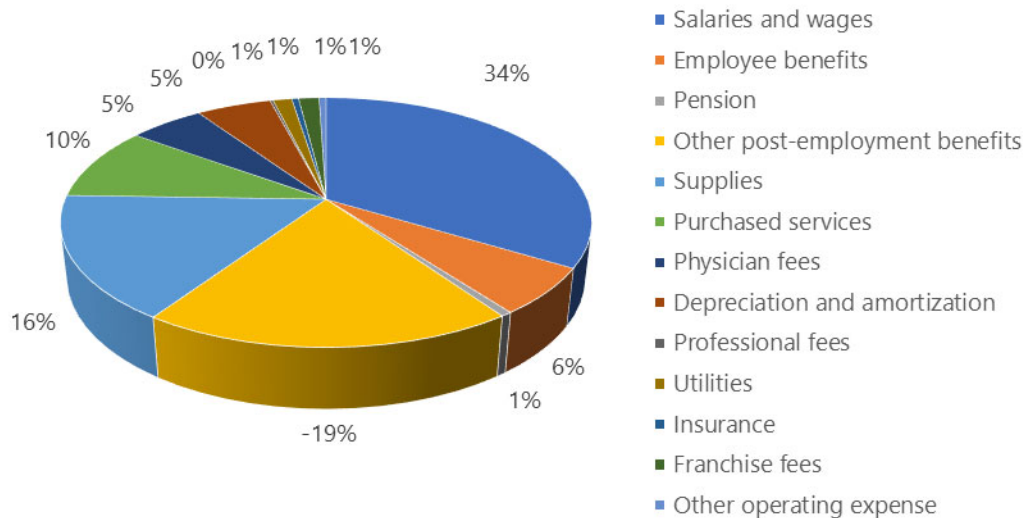
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Expenses

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

- Pension expense decreased approximately \$3,401,000, or 90.0%, as a result of changes in the Hospital's proportionate share in the Ohio Public Employees Retirement System (OPERS) retirement plans.
- Other post-employment benefits decreased \$14,358,459 as a result of changes in the Hospital's proportionate share in OPERS.
- Supplies increased approximately \$1,444,710, or 15.9%, primarily as a result of COVID-19 supplies and testing.
- Salaries and wages increased approximately \$1,994,422, or 9.9% primarily as a result of an increase in staffing levels in the current year.

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



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Sources of Revenue

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

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

Non-operating Gains (Losses)

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income, including interest income, realized and unrealized gains and losses, grant income and expense, and interest expense. The change in other non-operating gains from 2020 to 2021 was primarily due to noncapital grant income received for COVID-19 financial relief. In December 31, 2021 and 2020, the Hospital recognized \$4,822,481 and \$2,272,777, respectively.

Statement of Cash Flows

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

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

	Year Ended December 31		
	2021	2020	2019
Cash provided by (used in):			
Operating activities	\$ 12,437,492	\$ 2,124,081	\$ 4,780,505
Capital and related financing activities	(3,249,594)	(11,442,009)	(13,283,141)
Noncapital financing activities	2,906,144	11,458,744	(614,392)
Investing activities	(14,622,648)	8,503,518	7,780,691
Change in cash and cash equivalents	(2,528,606)	10,644,334	(1,336,337)
Cash and cash equivalents - beginning of year	14,156,372	3,512,038	4,848,375
Cash and cash equivalents - end of year	\$ 11,627,766	\$ 14,156,372	\$ 3,512,038

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Participation in the Ohio Public Employees Retirement System

As discussed in Note 12 and 13 to the financial statements, the Hospital participates in the OPERS which includes multiple-employer cost-sharing defined benefit and defined contribution pension retirement plans, as well as a multiple-employer cost-sharing defined benefit plan offering postemployment benefits other than pensions.

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

Capital Asset and Debt Administration

At December 31, 2021 and 2020, the Hospital had \$31,195,585 and \$33,273,871, respectively, invested in capital assets, net of accumulated depreciation. The Hospital acquired or constructed capital assets in the amount of \$1,534,471 and \$10,485,876 during 2021 and 2020, respectively.

Long-Term Debt Obligations

During 2021, the Hospital paid all of its debt off and as of December 31, 2021 has no outstanding long-term debt obligations. More detailed information about the Hospital's long-term debt obligations are further discussed in Note 9 to the financial statements.

Economic Factors that Will Affect the Future

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

- Changes in the local economy, which may cause volumes to significantly increase or decrease. Bad debts, charity care, financial mix and utilization may also be impacted.
- Federal and state governmental budget changes, which could change the funding for Medicare and Medicaid.
- Physician relationships/alignment will continue to develop, and impact quality, cost, and services to the community.
- Hospital labor shortages and increased personnel costs.
- During 2021, the spread of COVID-19 had and continues to cause business disruption to the Hospital. The continued financial impact and duration cannot be reasonably estimated at this time.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Contacting the Hospital's Management

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

Meghann Ackley
Chief Financial Officer

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current assets		
Cash and cash equivalents	\$ 11,371,391	\$ 13,613,201
Assets limited as to use, current portion	-	299,739
Patient accounts receivable, net of allowances for uncollectible accounts; \$4,188,534 and \$3,696,178 as of December 31, 2021 and 2020, respectively	7,964,294	7,138,691
Contribution receivables	-	1,000
Notes receivable, current portion	179,245	177,013
Other receivables	1,109,126	824,095
Supplies	543,635	544,898
Prepaid expenses and other current assets	902,708	519,513
Total current assets	22,070,399	23,118,150
Assets limited as to use		
Internally designated for specific purpose	500,569	467,871
Restricted by donors for capital improvements	326,946	516,679
Held by trustee under bond indenture agreements	-	299,739
Less amounts to meet current obligations	-	(299,739)
Total assets limited as to use, net current portion	827,515	984,550
Long-term investments	30,066,278	15,814,321
Notes receivable, net current portion	266,243	456,094
Capital assets, net	31,195,585	33,273,871
Net other post-employment benefits asset	2,070,837	-
Net pension asset	432,871	315,028
Total assets	86,929,728	73,962,014
Deferred outflows of resources		
Pension	2,683,601	3,516,945
Other post-employment benefits	1,071,165	2,610,729
Other deferred outflows	-	23,345
Total deferred outflows of resources	3,754,766	6,151,019
Total assets and deferred outflows of resources	\$ 90,684,494	\$ 80,113,033

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current liabilities		
Current maturities of long-term debt	\$ -	\$ 4,899,306
Accounts payable	1,846,094	1,981,322
Accrued expenses	1,408,315	1,667,942
Estimated amounts due to third-party payors	249,103	535,018
Refundable advances	2,314,820	4,464,381
Total current liabilities	5,818,332	13,547,969
Long-term debt, net current maturities	-	1,241,694
Interest rate swap agreement	-	23,345
Accrued compensated absences	1,573,998	1,369,399
Net pension liability	16,644,141	22,010,071
Net other post-employment liability	-	16,049,824
Total liabilities	24,036,471	54,242,302
Deferred inflows of resources		
Pension	7,347,089	4,828,514
Other post-employment benefits	6,327,252	2,285,501
Total deferred inflows of resources	13,674,341	7,114,015
Total liabilities and deferred inflows of resources	37,710,812	61,356,317
Net position		
Net investment in capital assets	31,195,585	31,578,871
Restricted - expendable for		
Capital improvements	326,946	517,679
Debt service	-	299,739
Other post-employment benefit	2,070,837	-
Pensions	432,871	315,028
Unrestricted	18,947,443	(13,954,601)
Total net position	52,973,682	18,756,716
Total liabilities, deferred inflows of resources and net position	\$ 90,684,494	\$ 80,113,033

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating revenues		
Net patient service revenue	\$ 64,642,372	\$ 50,774,514
Other operating revenue	1,106,066	1,109,943
Total operating revenue	65,748,438	51,884,457
Operating expenses		
Salaries and wages	22,060,414	20,065,992
Employee benefits	3,974,765	3,302,668
Pension	378,656	3,779,684
Other post-employment benefits	(12,539,346)	1,819,113
Supplies	10,516,045	9,071,335
Purchased services	6,225,497	6,038,211
Physician fees	3,568,817	3,480,652
Depreciation and amortization	3,569,569	2,653,775
Professional fees	145,891	177,413
Utilities	888,440	818,358
Insurance	327,319	285,502
Franchise fees	978,942	756,937
Other operating expense	334,188	367,002
Total operating expenses	40,429,197	52,616,642
Operating gain (loss)	25,319,241	(732,185)
Non-operating gains (losses)		
Investment income	(540,669)	773,749
Grant expense	-	(250,000)
Interest expense	(48,623)	(89,819)
Noncapital grants and gifts	5,085,693	2,659,457
Other non-operating gains	4,401,324	150,862
Total non-operating gains (losses)	8,897,725	3,244,249
Change in net position	34,216,966	2,512,064
Net position - beginning of year	18,756,716	16,244,652
Net position - end of year	\$ 52,973,682	\$ 18,756,716

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 63,530,854	\$ 49,722,449
Cash paid to employees for wages and benefits	(23,502,299)	(25,927,785)
Cash paid to vendors for services and goods	(28,600,717)	(22,549,600)
Other receipts (payments), net	1,009,654	879,017
Net cash provided by operating activities	12,437,492	2,124,081
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,534,471)	(10,485,876)
Proceeds from sale of capital assets	28,500	43,686
Principal payments on long-term debt	(1,695,000)	(910,000)
Interest paid on long-term debt	(48,623)	(89,819)
Net cash used in capital and related financing activities	(3,249,594)	(11,442,009)
Cash flows from noncapital financing activities		
Proceeds from Paycheck Protection Program loan	-	4,446,000
Noncapital grants and gifts	2,936,132	7,123,838
Other noncapital financing receipts and payments, net	(29,988)	(111,094)
Net cash provided by noncapital financing activities	2,906,144	11,458,744
Cash flows from investing activities		
Interest and dividends on investments	429,431	453,987
Purchase of investments and assets limited as to use	(16,027,720)	-
Proceeds from sale and maturity of investments and assets limited as to use	975,641	8,049,531
Net cash flows (used in) provided by investing activities	(14,622,648)	8,503,518
Change in cash and cash equivalents	(2,528,606)	10,644,334
Cash and cash equivalents - beginning of year	14,156,372	3,512,038
Cash and cash equivalents - end of year	\$ 11,627,766	\$ 14,156,372
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 11,371,391	\$ 13,613,201
Cash included in assets limited as to use	256,375	543,171
Total	\$ 11,627,766	\$ 14,156,372
Supplemental cash flow information		
Change in fair value of interest rate swap	\$ (23,345)	\$ (29,990)
Gain on Paycheck Protection Program loan forgiveness	\$ 4,446,000	\$ -

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021	2020
Reconciliation of operating gain (loss) to net cash provided by operating activities:		
Operating gain (loss)	\$ 25,319,241	\$ (732,185)
Adjustments to reconcile operating gain (loss) to net cash flows from operating activities:		
Depreciation and amortization	3,569,569	2,653,775
Provision for uncollectible accounts	7,943,627	5,358,797
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(8,769,230)	(5,456,791)
Estimated amounts due from and to third-party payors	(285,915)	(954,071)
Net pension asset and net pension liability	(5,483,773)	(8,710,488)
Net other post-employment benefits asset and liability	(16,049,824)	909,213
Deferred outflows of resources - pension	833,344	5,664,230
Deferred outflows of resources - other post employment benefits	1,539,564	(1,334,520)
Deferred inflows of resources - pension	2,518,575	4,343,866
Deferred inflows of resources - other post-employment benefits	1,970,914	2,244,420
Other assets and liabilities	(668,600)	(1,862,165)
	\$ 12,437,492	\$ 2,124,081

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Organization and Principles of Combination

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Use of Estimates

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

Proprietary Fund Accounting

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

Supplies

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

Contributions Receivable

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Other Receivables

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

Notes Receivable

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

Capital Assets

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

Investments

Investments include equity securities, certificates of deposit, and government securities, and are recorded at fair value on the statement of net position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other non-operating gains (losses) on the statements of revenues, expenses and changes in net position when earned.

Assets Limited as to Use

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

Deferred Outflows of Resources

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Compensated Absences

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

Deferred Inflows of Resources

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

Restricted Resources

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

Net Position

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

Operating Revenue and Expenses

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Net Patient Service Revenue

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

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

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

Charity Care

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

Of the Hospital's total reported expenses (approximately \$40,429,000 and \$52,617,000 during 2021 and 2020, respectively), an estimated \$277,000 and \$497,000 arose from providing services to charity patients during 2021 and 2020, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled approximately \$558,000 and \$230,000 for 2021 and 2020, respectively, and is reported as net patient service revenue in the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Contributions

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

Pension and Postemployment Benefits Other Than Pensions (OPEB)

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

Federal Income Tax

Highland County Joint Township District Hospital, as a political subdivision of the State of Ohio, is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. PSC, HDH Foundation, and HJTDH Foundation are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. PSC, HDH Foundation, and HJTDH Foundation are subject to federal income tax on any unrelated business taxable income. During the calendar years ending December 31, 2021 and 2020, the entities did not report any unrelated business income.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims.

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

Reclassifications

Certain reclassifications of operating expenses have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net position.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Subsequent Events

The Hospital has evaluated subsequent events through June 21, 2022, the date the financial statements were available to be issued.

3. DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk

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

At December 31, 2021 and 2020, \$11,521,169 and \$14,182,619 of the Hospital's bank balances of \$12,582,521 and \$16,024,599 were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and uncollateralized	\$ 1,930	\$ 793,825
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	11,519,239	13,388,794
Total	<u>\$ 11,523,190</u>	<u>\$ 14,182,619</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Investments

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

At December 31, 2021 and 2020, the Hospital had the following assets whose use is limited, investments and maturities:

	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
December 31, 2021			
Certificates of deposit	\$ 583,430	\$ 583,430	\$ -
U.S. government agency bonds	29,733,865	-	29,733,865
	30,317,295	\$ 583,430	\$ 29,733,865
Mutual funds	58,395		
Corporate stocks	261,728		
Total	\$ 30,637,418		
December 31, 2020			
Certificates of deposit	\$ 1,283,669	\$ 1,039,159	\$ 244,510
U.S. government agency bonds	15,049,146	271,260	14,777,886
	16,332,815	\$ 1,310,419	\$ 15,022,396
Corporate stocks	222,624		
Total	\$ 16,555,439		

Interest Rate Risk

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021 and 2020, the Hospital's investments in U.S. government agency securities not directly guaranteed by the U.S. government were as follows:

Type	Fair Value	Rating	Rating Organization
December 31, 2021			
U.S. government agency bonds	\$ 20,653,376	AA+	Standard & Poor's
December 31, 2020			
U.S. government agency bonds	\$ 10,127,870	AA+	Standard & Poor's

Custodial Credit Risk

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

Cash deposits and investments of the Hospital are composed of the following as of December 31, 2021 and 2020:

	2021	2020
Deposits and money market accounts	\$ 11,627,766	\$ 14,156,372
Certificates of deposit	583,430	1,283,669
U.S. government agency bonds	29,733,865	15,049,146
Mutual funds	58,395	-
Corporate stocks	261,728	222,624
Total	\$ 42,265,184	\$ 30,711,811

	2021	2020
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 11,371,391	\$ 13,613,201
Assets limited as to use	827,515	1,284,289
Investments	30,066,278	15,814,321
Total	\$ 42,265,184	\$ 30,711,811

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

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

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. No transfers between levels occurred in 2021 and 2020.

Assets measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government agency bonds	\$ -	\$ 29,733,865	\$ -	\$ 29,733,865
Mutual funds	58,395	-	-	58,395
Corporate stocks	261,728	-	-	261,728
	<u>\$ 320,123</u>	<u>\$ 29,733,865</u>	<u>\$ -</u>	<u>30,053,988</u>
Cash and cash equivalents				256,375
Certificates of deposit				583,430
Total				<u>\$ 30,893,793</u>

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

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

5. PATIENT ACCOUNTS RECEIVABLE

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

	2021	2020
Patient accounts receivable	\$ 23,519,607	\$ 21,600,301
Less: Allowance for uncollectible accounts	(4,188,534)	(3,696,178)
Less: Allowance for contractual adjustments	(11,366,779)	(10,765,432)
Patient accounts receivable, net	<u>\$ 7,964,294</u>	<u>\$ 7,138,691</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	34%	49%	33%	50%
Medicaid	14%	22%	21%	22%
Self-pay	24%	4%	22%	4%
Commercial and other	28%	25%	24%	24%
	100%	100%	100%	100%

6. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

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

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

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements. Cost reports have been final settled through 2019 for Medicare.

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

7. CAPITAL ASSETS

Capital assets for the year ended December 31, 2021 were as follows:

	2020	Additions	Disposals	Transfers	2021
Land	\$ 290,137	\$ -	\$ -	\$ -	\$ 290,137
Land improvements	1,089,825	-	-	-	1,089,825
Buildings and leasehold improvements	39,465,529	142,939	(93,238)	19,396	39,534,626
Equipment	31,047,549	1,288,557	(245,727)	26,465	32,116,844
Construction in progress	45,861	102,975	-	(45,861)	102,975
	<u>71,938,901</u>	<u>1,534,471</u>	<u>(338,965)</u>	<u>-</u>	<u>73,134,407</u>
Less accumulated depreciation					
Land improvements	752,688	38,627	-	-	791,315
Buildings and leasehold improvements	14,098,774	1,860,877	(51,267)	-	15,908,384
Equipment	23,813,568	1,670,067	(244,512)	-	25,239,123
	<u>38,665,030</u>	<u>3,569,571</u>	<u>(295,779)</u>	<u>-</u>	<u>41,938,822</u>
Capital assets, net	<u>\$ 33,273,871</u>	<u>\$ (2,035,100)</u>	<u>\$ (43,186)</u>	<u>\$ -</u>	<u>\$ 31,195,585</u>

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

8. ACCRUED EXPENSES

The details of accrued liabilities at December 31, 2021 and 2020 were as follows:

	2021	2020
Payroll and related amounts	\$ 707,752	\$ 508,307
Employee health insurance	422,409	766,327
Pension	278,154	393,308
Total accrued liabilities	<u>\$ 1,408,315</u>	<u>\$ 1,667,942</u>

9. LONG-TERM DEBT

Information regarding the Hospital's long-term debt activity and balances as of and for the year ended December 31, 2021 were as follows:

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

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Hospital Facilities Revenue Bonds, Series 2004 - The Series 2004 revenue bonds consisted of Hospital Facilities Revenue and Refunding Bonds (2004 Bonds) in the original amount of \$3,905,000 dated August 15, 2004, with interest at a variable rate determined weekly. Proceeds from the issuance of the 2004 Bonds were used to finance the recladding of Hospital facilities and to retire the Series 2001 bonds. As of December 31, 2021, the Series 2004 revenue bonds was paid in full.

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

Paycheck Protection Program - During 2020, the Highland County Joint Township District Hospital and PSC received a low interest loan in the amount of \$4,239,000 and \$206,800, respectively. These loans were received under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loans are unsecured, bear interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met, which the remaining balance repayable within two years of disbursement. The PPP loans may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. If the loan is not forgiven, monthly principal and interest payment of \$248,960 were to begin on December 1, 2020, with a maturity date of May 1, 2022. As of December 31, 2020, no payments had been made and the Hospital had accounted for these loans as debt. As of December 31, 2021, the Hospital had received full forgiveness from the Small Business Administration and recognized all of the outstanding principle into other non-operating income.

10. DERIVATIVE FINANCIAL INSTRUMENT - INTEREST RATE SWAP

Contract

The Hospital had one interest rate swap agreement in effect at December 31, 2020 relating to the 2007 Hospital Facilities Revenue Refunding Bonds. The swap was terminated as of December 31, 2021. The Hospital paid off the long-term debt relating to the 2007 Hospital Facilities Revenue Refunding Bonds in 2021.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Objectives

As a means to manage the risk associated with interest rate risk on its variable rate bonds, the Hospital entered into an interest rate swap in connection with its 2007 Hospital Facilities Revenue Refunding Bonds that are reflected at fair value in the balance sheets at \$0 and \$675,000 at December 31, 2021 and 2020, respectively. The interest rate swap is reflected at fair value in the statements of net position as a liability and offsetting asset of \$0 and \$23,345 as of December 31, 2021 and 2020, respectively. The intention of the swap agreement was to effectively change the Hospital's variable interest rate on the bonds to a fixed rate of 3.942%.

Terms, Fair Values and Credit Risk

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

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

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

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

Basis Risk

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

Termination Risk

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Swap Payments and Associated Debt

Using rates as of December 31, 2020, debt service requirements of the variable rate debt and net swap payments of the 2007 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 9. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

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

	Assets	
	2021	2020
Deferred outflows	\$ -	\$ 23,345
	Liabilities	
	2021	2020
Interest rate swap agreements	\$ -	\$ 23,345

11. NET PATIENT SERVICE REVENUE

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

	2021	2020
Revenue:		
Inpatient services:		
Routine services	\$ 6,910,356	\$ 5,222,851
Ancillary services	14,939,556	10,831,059
Outpatient services	146,343,826	123,914,876
Total patient revenue	168,193,738	139,968,786
Revenue deductions:		
Provision for contractual allowances	94,456,599	82,514,622
Provision for bad debt allowances	7,943,627	5,358,797
Provision for charity care	1,151,140	1,320,853
Total revenue deductions	103,551,366	89,194,272
Total net patient service revenue	\$ 64,642,372	\$ 50,774,514

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

12. RETIREMENT PLANS

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Please see the Plan Statement in the OPERS 2020 Comprehensive Annual Financial Report for details.

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

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

Traditional Plan	2021	2020
Net pension liability - all employers	\$ 14,807,822,857	\$ 19,765,678,367
Proportion of the net pension liability - Hospital	0.112401%	0.111355%
	<u>\$ 16,644,141</u>	<u>\$ 22,010,071</u>
Combined Plan	2021	2020
Net pension asset - all employers	\$ 288,663,526	\$ 208,524,069
Proportion of the net pension asset - Hospital	0.149957%	0.151075%
	<u>\$ 432,871</u>	<u>\$ 315,028</u>

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

Pension expense for the years ending December 31, 2021 and 2020, was \$378,656 and \$3,779,684, respectively.

At December 31, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 696,238	\$ -	\$ 81,665	\$ -	\$ 777,903
Net difference between projected and actual earnings on pension plan assets	-	6,487,400	-	64,374	-	6,551,774
Assumption changes	-	-	27,032	-	27,032	-
Change in proportionate share	133,549	(12,249)	4,165	23,852	137,714	11,603
Difference between Hospital contributions and proportionate share of contributions	-	3,957	-	1,852	-	5,809
Employer contributions subsequent to the measurement date	2,419,580	-	99,275	-	2,518,855	-
Total	<u>\$ 2,553,129</u>	<u>\$ 7,175,346</u>	<u>\$ 130,472</u>	<u>\$ 171,743</u>	<u>\$ 2,683,601</u>	<u>\$ 7,347,089</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

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

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

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2022	\$ 2,644,291	\$ 47,795	\$ 2,692,086
2023	868,235	23,045	891,280
2024	2,644,485	37,894	2,682,379
2025	884,786	19,403	904,189
2026	-	10,731	10,731
Thereafter	-	1,678	1,678
Total	\$ 7,041,797	\$ 140,546	\$ 7,182,343

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Contribution Rates

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

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2021 and 2020, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2021 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2021 and 2020 was 4%.

Cost-of-Living Adjustments

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

Measurement Date

December 31, 2020

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Actuarial Assumptions

Valuation Date: December 31, 2020

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.20%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Cost-of-Living Adjustments: 3.00% Simple for those retiring before January 7, 2013, .50% Simple for those retiring after January 7, 2013 through 2021, then 2.15% Simple.

Date of Last Experience Study

December 31, 2015

Mortality Rates

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

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The following table displays the OPERS Board-approved asset allocation policy for defined benefit pension assets for 2020 and the long-term expected real rates of return:

	Target Allocation	Long Term Expected Return *
Fixed Income	25%	1.3%
Domestic Equity	21%	5.6%
Real Estate	10%	5.4%
Private Equity	12%	10.4%
International Equity	23%	7.4%
Other Investments	9%	4.8%
Total	100%	

* Returns presented as arithmetic means

Discount Rate

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 31,748,786	\$ 16,644,141	\$ 4,084,652

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)
\$ 301,414	\$ 432,871	\$ 530,848

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The amount of contributions recognized by the Hospital relating to the pensions for the years ending December 31, 2021 and 2020, were approximately \$2,519,000 and \$2,309,000, respectively.

13. OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

	2021	2020
Net OPEB (asset) liability - all employers	\$ (1,781,579,865)	\$ 13,812,597,868
Proportion of the net OPEB (asset) liability - Hospital	0.116236%	0.116197%
	<u>\$ (2,070,837)</u>	<u>\$ 16,049,824</u>

OPEB (income) expense for the years ending December 31, 2021 and 2020, was (\$12,533,269) and \$1,819,113, respectively.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

At December 31, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,868,919
Net difference between projected and actual earnings on OPEB plan assets	-	1,102,956
Assumption changes	1,018,047	3,355,377
Change in proportionate share	5,925	-
Difference between Hospital contributions and proportionate share of contributions	9,317	-
Employer contributions subsequent to the measurement date	37,876	-
Total	\$ 1,071,165	\$ 6,327,252

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

2022	\$	2,761,588
2023		1,923,113
2024		479,300
2025		129,962
2026		-
Thereafter		-
Total	\$	<u>5,293,963</u>

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

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

Contribution Rates

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

Employee contribution rates are expressed as a percentage of earnable salary of active members. In 2021 and 2020, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2021 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2021 and 2020 was 4%.

Measurement Date

December 31, 2020, rolled forward from December 31, 2019 actuarial valuation date

Actuarial Assumptions

Valuation Date: December 31, 2019

Rolled Forward Measurement Date: December 31, 2020

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.00%

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

Health Care Cost Trend: 8.50% initial, 3.50% ultimate through 2035

Date of Last Experience Study

December 31, 2015

Mortality Rates

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Investment Return Assumptions

The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	34%	1.1%
Domestic Equity	25%	5.6%
Real Estate	7%	6.5%
International Equity	25%	7.4%
Other Investments	9%	4.0%
Total	<u>100%</u>	

* Returns presented as arithmetic means

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 2.00%. The projected cash flows used to determine the discount rate assumed that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were significant to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Health Care Cost Trend Rate

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increase in the current cost of health care; the trend starting in 2021 is 8.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

Sensitivity of Net OPEB (Asset) to Changes in Discount Rate

1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
<u>\$ (514,000)</u>	<u>\$ (2,070,837)</u>	<u>\$ (3,350,000)</u>

Sensitivity of Net OPEB (Asset) to Changes in Health Care Cost Trend Rate

1% Decrease (7.5%)	Current Rate (8.5%)	1% Increase (9.5%)
<u>\$ (2,121,000)</u>	<u>\$ (2,070,837)</u>	<u>\$ (2,014,000)</u>

14. MEDICAL MALPRACTICE CLAIMS

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

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

15. SELF-INSURED BENEFITS

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

Activity in the Hospital's accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 766,327	\$ 461,196
Current year claims incurred and changes in estimates for claims incurred in prior years	2,925,993	3,603,451
Claims and expenses paid	(3,269,911)	(3,298,320)
Balance, end of year	<u>\$ 422,409</u>	<u>\$ 766,327</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

16. BLENDED COMPONENT UNITS

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

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2021:

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 11,071,901	\$ 146,844	\$ 77,932	\$ 74,714	\$ -	\$ 11,371,391
Patient accounts receivable, net of allowances	7,670,085	294,209	-	-	-	7,964,294
Notes receivable, current portion	179,245	-	-	-	-	179,245
Other receivables	994,492	114,634	-	-	-	1,109,126
Supplies	543,635	-	-	-	-	543,635
Prepaid expenses and other current assets	868,293	34,415	-	-	-	902,708
Due from affiliate	6,557	-	-	-	(6,557)	-
Total current assets	21,334,208	590,102	77,932	74,714	(6,557)	22,070,399
Assets limited as to use						
Internally designated for specific purpose	500,569	-	-	-	-	500,569
Restricted by donors for capital improvements	90,648	-	-	236,298	-	326,946
Total assets limited as to use	591,217	-	-	236,298	-	827,515
Long-term investments	29,729,738	-	336,540	-	-	30,066,278
Notes receivable, net current portion	266,243	-	-	-	-	266,243
Capital assets, net	30,187,976	272,557	735,052	-	-	31,195,585
Net other post-employment benefits asset	2,070,837	-	-	-	-	2,070,837
Net pension asset	432,871	-	-	-	-	432,871
Total assets	84,613,090	862,659	1,149,524	311,012	(6,557)	86,929,728
Deferred outflows of resources						
Pension	2,683,601	-	-	-	-	2,683,601
Other post-employment benefits	1,071,165	-	-	-	-	1,071,165
Total deferred outflows of resources	3,754,766	-	-	-	-	3,754,766
Total assets and deferred outflows of resources	\$ 88,367,856	\$ 862,659	\$ 1,149,524	\$ 311,012	\$ (6,557)	\$ 90,684,494

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current liabilities						
Accounts payable	\$ 1,714,778	\$ 131,316	\$ -	\$ -	\$ -	\$ 1,846,094
Accrued expenses	1,300,783	107,532	-	-	-	1,408,315
Estimated amounts due to third-party payors	249,103	-	-	-	-	249,103
Refundable advances	2,258,841	55,979	-	-	-	2,314,820
Due to affiliate	-	6,459	-	98	(6,557)	-
Total current liabilities	5,523,505	301,286	-	98	(6,557)	5,818,332
Accrued compensated absences	1,573,998	-	-	-	-	1,573,998
Net pension liability	16,644,141	-	-	-	-	16,644,141
Total liabilities	23,741,644	301,286	-	98	(6,557)	24,036,471
Deferred inflows of resources						
Pension	7,347,089	-	-	-	-	7,347,089
Other post-employment benefits	6,327,252	-	-	-	-	6,327,252
Total deferred inflows of resources	13,674,341	-	-	-	-	13,674,341
Total liabilities and deferred inflows of resources	37,415,985	301,286	-	98	(6,557)	37,710,812
Net position						
Net investment in capital assets	30,187,976	272,557	735,052	-	-	31,195,585
Restricted - expendable for						
Capital improvements	90,648	-	-	236,298	-	326,946
Debt service	-	-	-	-	-	-
Other post-employment benefit	2,070,837	-	-	-	-	2,070,837
Pensions	432,871	-	-	-	-	432,871
Unrestricted	18,169,539	288,816	414,472	74,616	-	18,947,443
Total net position	50,951,871	561,373	1,149,524	310,914	-	52,973,682
Total liabilities, deferred inflows of resources and net position	<u>\$ 88,367,856</u>	<u>\$ 862,659</u>	<u>\$ 1,149,524</u>	<u>\$ 311,012</u>	<u>\$ (6,557)</u>	<u>\$ 90,684,494</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 63,017,714	\$ 2,176,510	\$ -	\$ -	\$ (551,852)	\$ 64,642,372
Other operating revenue	1,654,289	22,417	32,301	-	(602,941)	1,106,066
Total operating revenue	64,672,003	2,198,927	32,301	-	(1,154,793)	65,748,438
Operating expenses						
Salaries and wages	20,026,571	2,033,843	-	-	-	22,060,414
Employee benefits	3,767,132	207,633	-	-	-	3,974,765
Pension	378,656	-	-	-	-	378,656
Other post-employment benefits	(12,539,346)	-	-	-	-	(12,539,346)
Supplies	10,435,848	66,694	-	13,503	-	10,516,045
Purchased services	5,278,533	1,089,299	-	23,754	(166,089)	6,225,497
Physician fees	4,120,669	-	-	-	(551,852)	3,568,817
Depreciation and amortization	3,529,766	17,305	22,498	-	-	3,569,569
Professional fees	145,891	-	-	-	-	145,891
Utilities	879,911	8,529	-	-	-	888,440
Insurance	264,435	62,884	-	-	-	327,319
Franchise fees	978,942	-	-	-	-	978,942
Other operating expense	252,808	214,961	-	1,058	(134,639)	334,188
Total operating expenses	37,519,816	3,701,148	22,498	38,315	(852,580)	40,429,197
Operating gain (loss)	27,152,187	(1,502,221)	9,803	(38,315)	(302,213)	25,319,241
Non-operating gains (losses)						
Investment income	(542,344)	-	1,675	-	-	(540,669)
Grant expense	-	-	-	(302,213)	302,213	-
Interest expense	(48,623)	-	-	-	-	(48,623)
Noncapital grants and gifts	4,922,289	3,191	-	160,213	-	5,085,693
Other non-operating gains (losses)	4,201,705	206,971	(7,352)	-	-	4,401,324
Total non-operating gains (losses)	8,533,027	210,162	(5,677)	(142,000)	302,213	8,897,725
Excess of revenues over expenses (expenses over revenues)	35,685,214	(1,292,059)	4,126	(180,315)	-	34,216,966
Transfer to affiliates	(900,000)	900,000	-	-	-	-
Change in net position	34,785,214	(392,059)	4,126	(180,315)	-	34,216,966
Net position - beginning of year	16,166,657	953,432	1,145,398	491,229	-	18,756,716
Net position - end of year	<u>\$ 50,951,871</u>	<u>\$ 561,373</u>	<u>\$ 1,149,524</u>	<u>\$ 310,914</u>	<u>\$ -</u>	<u>\$ 52,973,682</u>
Cash provided by (used in):						
Operating activities	\$ 14,306,151	\$ (1,556,877)	\$ 32,301	\$ (41,870)	\$ (302,213)	\$ 12,437,492
Investing activities	(14,564,416)	-	162	(58,394)	-	(14,622,648)
Noncapital financing activities	2,743,440	9,844	(7,352)	(142,001)	302,213	2,906,144
Capital financing activities	(4,149,594)	900,000	-	-	-	(3,249,594)
Change in cash and cash equivalents	(1,664,419)	(647,033)	25,111	(242,265)	-	(2,528,606)
Cash and cash equivalents - beginning of year	12,814,792	793,877	52,821	494,882	-	14,156,372
Cash and cash equivalents - end of year	<u>\$ 11,150,373</u>	<u>\$ 146,844</u>	<u>\$ 77,932</u>	<u>\$ 252,617</u>	<u>\$ -</u>	<u>\$ 11,627,766</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 49,509,093	\$ 1,955,492	\$ -	\$ -	\$ (690,071)	\$ 50,774,514
Other operating revenue	1,345,020	22,464	31,667	-	(289,208)	1,109,943
Total operating revenue	50,854,113	1,977,956	31,667	-	(979,279)	51,884,457
Operating expenses						
Salaries and wages	17,936,473	2,129,519	-	-	-	20,065,992
Employee benefits	2,961,890	340,778	-	-	-	3,302,668
Pension	3,779,684	-	-	-	-	3,779,684
Other post-employment benefits	1,819,113	-	-	-	-	1,819,113
Supplies	9,012,135	45,091	-	14,109	-	9,071,335
Purchased services	5,338,767	783,266	-	27,834	(111,656)	6,038,211
Physician fees	4,170,061	-	-	100	(689,509)	3,480,652
Depreciation and amortization	2,613,972	17,305	22,498	-	-	2,653,775
Professional fees	177,413	-	-	-	-	177,413
Utilities	807,730	10,628	-	-	-	818,358
Insurance	230,261	55,241	-	-	-	285,502
Franchise fees	756,937	-	-	-	-	756,937
Other operating expense	271,062	188,034	-	693	(92,787)	367,002
Total operating expenses	49,875,498	3,569,862	22,498	42,736	(893,952)	52,616,642
Operating gain (loss)	978,615	(1,591,906)	9,169	(42,736)	(85,327)	(732,185)
Non-operating gains (losses)						
Investment income	767,086	-	6,663	-	-	773,749
Grant expense	(250,000)	-	-	(85,327)	85,327	(250,000)
Interest expense	(89,819)	-	-	-	-	(89,819)
Noncapital grants and gifts	2,200,451	337,630	-	121,376	-	2,659,457
Other non-operating gains (losses)	157,341	97	(6,576)	-	-	150,862
Total non-operating gains (losses)	2,785,059	337,727	87	36,049	85,327	3,244,249
Excess of revenues over expenses (expenses over revenues)	3,763,674	(1,254,179)	9,256	(6,687)	-	2,512,064
Transfer to affiliates	(1,750,000)	1,750,000	-	-	-	-
Change in net position	2,013,674	495,821	9,256	(6,687)	-	2,512,064
Net position - beginning of year	14,152,983	457,611	1,136,142	497,916	-	16,244,652
Net position - end of year	<u>\$ 16,166,657</u>	<u>\$ 953,432</u>	<u>\$ 1,145,398</u>	<u>\$ 491,229</u>	<u>\$ -</u>	<u>\$ 18,756,716</u>
Cash provided by (used in):						
Operating activities	\$ 3,754,360	\$ (1,650,314)	\$ 31,667	\$ 73,695	\$ (85,327)	\$ 2,124,081
Investing activities	8,503,417	-	101	-	-	8,503,518
Noncapital financing activities	10,749,917	594,027	(6,576)	-	85,327	11,422,695
Capital financing activities	(13,192,009)	1,750,000	-	-	-	(11,442,009)
Change in cash and cash equivalents	9,815,685	693,713	25,192	73,695	-	10,608,285
Cash and cash equivalents - beginning of year	2,999,107	100,164	27,629	385,138	-	3,512,038
Cash and cash equivalents - end of year	<u>\$ 12,814,792</u>	<u>\$ 793,877</u>	<u>\$ 52,821</u>	<u>\$ 458,833</u>	<u>\$ -</u>	<u>\$ 14,120,323</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

17. REFUNDABLE ADVANCES

During the Hospital's fiscal year 2021 and 2020, the Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of COVID-19 pandemic under Catalog of Federal Domestic Assistance (CFDA) #93.498. The Hospital received grants of \$2,725,610 and \$5,341,510 during 2021 and 2020, respectively. Revenues from PRF grants are recognized to the extent of patient revenues lost as a result of the pandemic and COVID-19 related additional expenses. This revenue is included in the statement of revenues, expenses and changes in net position as non-operating revenue. Patient revenues lost represent the deficiency in net patient service revenues recognized over the period impacted by the pandemic when compared with patient care service revenues recognized over the same period in the previous year. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

As of and for the year ended December 31, 2021, revenues recognized and refundable advances were as follows:

	Revenue Recognized	Refundable Advances	Total
Provider relief fund	\$ 4,785,781	\$ 2,314,820	\$ 7,100,601
Coronavirus relief fund	39,891	-	39,891
Ending balance as of December 31, 2021	<u>\$ 4,825,672</u>	<u>\$ 2,314,820</u>	<u>\$ 7,140,492</u>

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

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

18. GRANTS AND LOANS TO AFFILIATED ORGANIZATIONS

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

During 2014, the Hospital entered into a grant agreement with HHPC, whereby HHPC's operating losses, not to exceed \$1,500,000 on an annual basis, will be funded for the next two years with renewal options for successive one-year periods. Grant expense for 2021 and 2020 was \$0 and \$250,000, respectively, and is included in the statements of revenues, expenses and changes in net position. The agreement was renewed and in effect as of the date of the independent auditor's report.

During 2019, the Hospital executed two loan agreements with HHPC for \$26,250 and \$61,500. The loans are payable in forty-eight and sixty monthly installments beginning July 1, 2019 and March 1, 2019. Both agreements have an interest rate of 5%. During 2018, the Hospital executed a loan agreement with HHPC for \$775,000. The loan is payable in sixty monthly installments beginning July 1, 2019 at an interest rate of 5%. Notes receivable due from HHPC as of December 31, 2021 and 2020 were \$445,488 and \$633,107, respectively.

19. CONTINGENCIES

Compliance Risks

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

Coronavirus Pandemic

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

20. RECENT GASB PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS AND LIABILITIES (UNAUDITED) DECEMBER 31, 2021, 2020, 2019, 2018, 2017, 2016, AND 2015

Schedule of Proportionate Share of the Net Pension Liability (rounding to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net pension liability	0.112401%	0.111355%	0.111603%	0.111383%	0.111762%	0.108875%	0.106145%
Hospital's proportionate share of the net pension liability	\$ 16,644,000	\$ 22,010,000	\$ 30,566,000	\$ 17,474,000	\$ 25,379,000	\$ 18,859,000	\$ 13,073,000
Hospital's proportion of the collective net pension asset	0.149957%	0.151075%	0.143324%	0.122397%	0.106786%	0.119100%	0.101665%
Hospital's proportionate share of the net pension asset	\$ 433,000	\$ 315,000	\$ 160,000	\$ 167,000	\$ 59,000	\$ 58,000	\$ 49,000
Hospital's covered payroll	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,385,000
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	99.21%	134.80%	194.85%	114.80%	170.68%	134.78%	97.67%
Plan fiduciary net position as a percentage of the total pension liability	87.19%	82.44%	74.90%	84.85%	77.38%	81.19%	81.19%
Schedule of Hospital's Contributions							
Contractually required contribution	\$ 2,519,000	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contributions in relation to the contractually required contribution	\$ 2,519,000	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	13.8%	13.8%	13.7%	13.7%	13.0%	12.0%	12.0%

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

See report of independent auditors.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT BENEFIT LIABILITIES (UNAUDITED) DECEMBER 31, 2021, 2020, 2019, 2018, 2017, 2016, AND 2015

Schedule of Proportionate Share of the Net OPEB (Asset) Liability (rounding to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net OPEB (asset) liability	0.116236%	0.116197%	0.116130%	0.115610%	*	*	*
Hospital's proportionate share of the net OPEB (asset) liability	\$ (2,071,000)	\$ 16,050,000	\$ 15,141,000	\$ 12,554,000	*	*	*
Hospital's covered payroll	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,385,000
Hospital's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(12.35%)	98.30%	96.52%	82.48%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	115.57%	47.80%	46.30%	54.10%	*	*	*
Schedule of Hospital's Contributions							
Contractually required OPEB contribution	\$ 38,000	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contributions in relation to the contractually required contribution	\$ 38,000	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	0.2%	0.2%	0.3%	0.3%	1.0%	2.0%	2.0%

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

1. Defined Benefit Pension Plans

Changes of Benefit Terms:

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

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2% 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% 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%.

Changes of Assumptions:

In 2016, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period of 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2020, used for the Hospital's 2021 fiscal year. Amounts reported in the Hospital's 2021 fiscal year for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2020 fiscal year based on the experience study.

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

2. Defined Benefit Postemployment Benefits Other Than Pensions

Changes of Assumptions:

Amounts reported in 2021 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2015:

- Wage inflation assumption remained consistent at 3.25%.
- Actuarially assumed discount rate increased from 3.16% to 6.0%
- Health care cost trend rate decreased from 10.5% initial, 3.5% ultimate in 2030 to 8.5% initial, 3.5% ultimate in 2035.

SUPPLEMENTARY INFORMATION

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:				
COVID-19 - Provider Relief Funding	93.498	-	\$ -	\$ 5,292,011
COVID-19 - Small Rural Hospital Improvement Program	93.301	-	-	99,808
COVID-19 - Uninsured Relief Fund	93.461	-	-	7,921
U.S. Treasury Department/State of Ohio:				
COVID-19 - Coronavirus Relief Fund	21.019	-	-	39,891
				<u>\$ 5,439,631</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2021 includes the federal grant activity of Highland County Joint Township District Hospital and Affiliates (the "Hospital") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – Summary of Significant Accounting Policies

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2021

Note C – Provider Relief Fund Reporting

Under the terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security Act, the Hospital was required to report the Coronavirus (COVID-19) related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received. The 2021 SEFA includes PRF of approximately \$5,251,812 which was received by the Hospital prior to June 30, 2020, the date designated by HHS for its first PRF reporting period, and \$40,199, which was received by the Hospital between July, 1, 2020 and December 31, 2020. The Hospital recognized \$4,785,781 and \$917,020 as revenue in its 2021 and 2020 statement of revenues, expenses and changes in net position as the terms and conditions of the PRF grant were satisfied by the Hospital and PSC. HHS required \$5,251,812 to be reported on the 2021 SEFA and the remainder will be required to be reported on the 2022 SEFA.

Note D – Fair Market Value of Donated Personnel Protective Equipment (Unaudited)

During 2021, the Hospital did not receive donated personnel protective equipment from federal sources.



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

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

We have audited, in accordance with the 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 the business-type activities of Highland County Joint Township District Hospital and Affiliates (the "Hospital"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated June 21, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

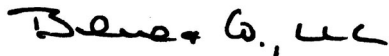
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS (Continued)**

Report on Compliance and Other Matters

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

Purpose of this Report

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



Westerville, Ohio
June 21, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highland County Joint Township District Hospital and Affiliates (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could directly and materially effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Program

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

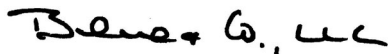
Report on Internal Control Over Compliance

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

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

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

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



Westerville, Ohio
June 21, 2022

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards

Internal controls over major programs:

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

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.498	Provider Relief Funds

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

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

No matters reported.

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

No matters reported.

Section IV – Summary schedule of prior audit findings:

No matters reported.

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/19/2022

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