

HOCKING VALLEY COMMUNITY HOSPITAL

(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Hocking Valley Community Hospital
601 OH-664 N
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking Valley Community Hospital, Hocking County, prepared by Blue & Co., LLC, for the audit period January 1, 2023 through December 31, 2023. 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 Hocking Valley Community Hospital is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

July 15, 2024

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**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

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INDEPENDENT AUDITOR'S REPORT

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Hocking Valley Community Hospital (the Hospital), a component unit of Hocking County, Ohio, as of and for the years ended December 31, 2023 and 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Hospital as of December 31, 2023 and 2022, and the respective changes in financial position and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3 to the financial statements, during 2023, the Hospital adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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.

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 Responsibility 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 opinions. 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 GAAS and *Government Auditing Standards* will always detect a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the Required Supplementary Information on GASB 68 Pension Assets, Pension Liabilities, and Pension Contributions and GASB 75 Other Postemployment Benefit Assets, Liabilities, and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

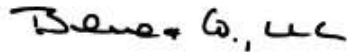
Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Westerville, Ohio
May 29, 2024

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Management's Discussion and Analysis

The discussion and analysis of Hocking Valley Community Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the years ended December 31, 2023, 2022, and 2021. The discussion and analysis is based on Hospital only activity and does not include The Hocking Valley Community Hospital Memorial Funds, Inc. (the Foundation) activity. Please read in conjunction with the Hospital's financial statements, which begin on page 5.

Financial Highlights

- The Hospital's net position increased \$192,901 and \$4,522,154 in 2023 and 2022, respectively.
- The decrease in the Hospital's total 2023 operating income of \$5,397,464 from 2022 is the result of a 29.4% increase in operating expenses of \$9,820,445, of which \$6,440,738 related to the difference in estimates related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68), and GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75) in 2023 compared to 2022.
- The Hospital paid \$2,848,380 and \$2,850,051 to the Foundation in support of the Hocking Valley Medical Group, Inc. during 2023 and 2022, respectively.
- The cumulative impact of adopting GASB 68 and GASB 75 has been a \$14,903,001 decrease in the Hospital's net position through December 31, 2023.
- During 2023, the Hospital adopted GASB No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96), which requires subscription-based information technology arrangements (SBITA) to be recorded in the statement of net position. The Hospital has recorded SBITA assets in the amount of \$1,673,639 and \$2,220,328 at December 31, 2023 and 2022, respectively, and SBITA liabilities of \$2,095,989 and \$2,684,359 at December 31, 2023 and 2022, respectively.

Using This Annual Report

The Hospital's financial statements consist of three statements – statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of the Hospital.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Statements of Net Position and Statements 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 or worse off as a result of the year's activities?" The statements of net position and the statements 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. The statements of net position 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.

The statements of revenues, expenses, and changes in net position report the Hospital's net position and related changes. 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 health of the Hospital.

Statements of Cash Flows

The final required statement is the statements of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital related financing and capital related financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the statements of net position on page 6. The Hospital's net position increased by \$192,901 in 2023.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

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, 2023, 2022, and 2021:

	2023	2022 (As Restated)	2021
Assets and Deferred Outflows of Resources			
Current assets	\$ 17,769,651	\$ 16,924,200	\$ 19,547,901
Noncurrent assets	122,196	2,974,212	1,656,622
Capital assets, net	13,708,620	13,911,435	9,892,432
Total assets	<u>31,600,467</u>	<u>33,809,847</u>	<u>31,096,955</u>
Deferred outflows of resources			
Pension	11,754,072	4,228,418	2,612,405
Other post-employment benefits	1,727,974	194,428	1,081,057
Total deferred outflows of resources	<u>13,482,046</u>	<u>4,422,846</u>	<u>3,693,462</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 45,082,513</u>	<u>\$ 38,232,693</u>	<u>\$ 34,790,417</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Current liabilities	\$ 7,695,189	\$ 7,492,737	\$ 9,351,829
Noncurrent liabilities	33,179,858	14,176,531	15,053,549
Total liabilities	40,875,047	21,669,268	24,405,378
Deferred inflows of resources			
Pension	51,202	9,898,858	5,883,032
Other post-employment benefits	200,060	2,901,264	4,756,634
Total deferred inflows of resources	<u>251,262</u>	<u>12,800,122</u>	<u>10,639,666</u>
Net Position (Deficit)			
Net investment in capital assets	7,319,213	6,544,408	7,397,485
Unrestricted	(3,363,009)	(2,781,105)	(7,652,112)
Total net position (deficit)	<u>3,956,204</u>	<u>3,763,303</u>	<u>(254,627)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	<u>\$ 45,082,513</u>	<u>\$ 38,232,693</u>	<u>\$ 34,790,417</u>

A significant component of the Hospital's assets are capital assets. Capital assets, net, decreased by \$202,815, or 1.5% in 2023. Fixed assets acquired by the Hospital were \$2,364,027 in 2023. These additions were offset by depreciation and amortization of \$2,566,842. Capital assets, net, increased by \$4,019,003, or 40.6%, in 2022 after the restated impact of GASB 96. Fixed assets acquired by the Hospital were \$3,646,876 in 2022. These additions were offset by depreciation and amortization of \$2,331,065.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Operating Results and Changes in the Hospital's Net Position

The following is a comparative analysis of the statements of operations and changes in net position for the years ended December 31, 2023, 2022, and 2021:

	2023	2022 (As Restated)	2021
Revenues			
Net patient service revenue	\$ 43,476,183	\$ 39,424,503	\$ 40,287,611
Other operating revenue	956,778	585,477	477,513
Total operating revenue	<u>44,432,961</u>	<u>40,009,980</u>	<u>40,765,124</u>
Expenses			
Salaries and wages	16,998,956	15,587,287	14,644,961
Employee benefits	8,018,619 (&)	1,264,774 (^)	(5,214,518) (#)
Supplies and other expenses	8,283,127	7,631,867	7,949,749
Professional fees and services	7,169,945	6,424,734	5,985,680
Depreciation and amortization	2,566,842	2,331,065	2,139,930
Insurance	217,044	194,361	155,653
Total operating expenses	<u>43,254,533</u>	<u>33,434,088</u>	<u>25,661,455</u>
Operating income	1,178,428	6,575,892	15,103,669
Nonoperating income (expenses)	<u>(985,527)</u>	<u>(2,053,738)</u>	<u>3,712,972</u>
Increase in net position	<u>192,901</u>	<u>4,522,154</u>	<u>18,816,641</u>
Net position (deficit) - beginning of year			
Beginning of year, as previously reported	3,763,303	(254,627)	(19,071,268)
Cumulative effect of accounting change	-	(504,224)	-
Net position (deficit) - beginning of year, as restated	<u>3,763,303</u>	<u>(758,851)</u>	<u>(19,071,268)</u>
Net position (deficit), end of year	<u>\$ 3,956,204</u>	<u>\$ 3,763,303</u>	<u>\$ (254,627)</u>

(&) 2023 employee benefits expense includes the GASB 68 and 75 expense of \$1,393,248

(^) 2022 employee benefits expense includes the GASB 68 and 75 income of \$5,047,490

(#) 2021 employee benefits expense includes the GASB 68 and 75 income of \$11,019,905

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

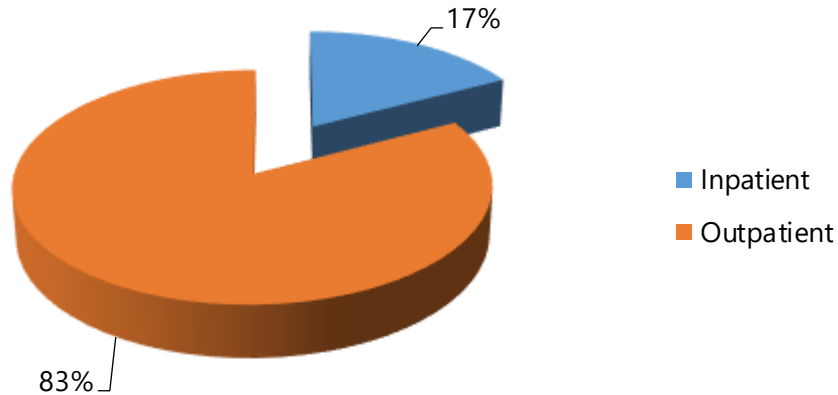
Operating Revenues

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

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$4,051,680 or 10.3% from 2022 to 2023. This increase was primarily due increased volumes in high-dollar procedures.
- Net patient service revenue decreased \$863,108 or 2.2% from 2021 to 2022. This decrease was primarily due to a 15.3% decrease in inpatient days.

The following is a graphic illustration of operating revenues by type for 2023:



HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

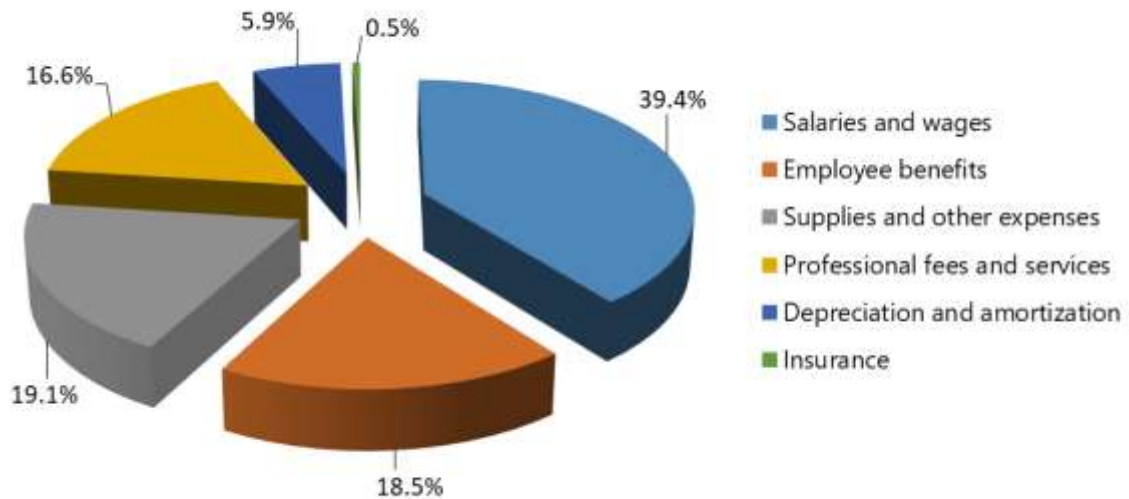
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Operating Expenses

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

- Salaries and wages increased \$1,411,669 or 9.1% from 2022 to 2023. The increase in salaries and wages between 2022 and 2023 was primarily due to pay rate increases that varied by position and a slight increase in total labor hours. Salaries and wages increased \$942,328 or 6.4% from 2021 to 2022. The increase in salaries and wages between 2021 and 2022 was primarily due to pay rate increases that varied by position.
- Employee benefits increased \$6,753,845 or 534.0% from 2022 to 2023. This increase was primarily related to the impact of GASB 68 and 75 shifting from a net benefit in 2022 to a net expense in 2023. Employee benefits increased \$6,479,292 or 124.3% from 2021 to 2022. This increase was primarily related to lesser positive impact of GASB 68 and 75 between years.

The following is a graphic illustration of operating expenses by type for 2023:



HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Sources of Revenue

The Hospital derives substantially all of its revenue from patient services and other related activities. Revenue includes, 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.

Operating Income

The first component of the overall change in the Hospital's net position is its operating income. Generally, operating income is the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported operating incomes of \$1,178,428, \$6,575,892, and \$15,103,969 in 2023, 2022, and 2021, respectively.

The decrease in the Hospital's total operating income in 2023 of \$8,527,777 from 2022 is the result of a \$6,440,738 net decrease in gains from GASB 68 and GASB 75 estimates in 2023 compared to 2022 and \$1,411,669, or 9.1%, increase in salaries and wages, offset in part by an increase in net patient service revenues of \$4,051,680, or 10.3%.

The decrease in the Hospital's total operating income in 2022 of \$8,789,403 from 2021 is the result of a \$5,972,415 net decrease in gains from GASB 68 and 75 in 2022 compared to 2021, and a 6.4% increase in salaries and wages expense of \$942,328.

The Hospital provides care for patients who have little or no health insurance or other means of repayment. This service to the community is consistent with the goals of the Hospital when it was established. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Hospital and represents unreimbursed charges incurred by the Hospital in providing uncompensated care to indigent patients. Based on established rates, charges of \$677,369 were waived under the Hospital's charity care policy during 2023 as compared to \$732,610 in 2022.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Nonoperating Revenues (Expenses)

The Hospital's net investment income amounted to \$292,109 and \$191,889 in 2023 and 2022, respectively. The Hospital provided funding to the Hocking Valley Community Hospital Memorial Fund, Inc., which in turn provided funding to the Hocking Valley Medical Group, Inc. of \$2,848,380 and \$2,850,051 in 2023 and 2022, respectively. The Hospital received noncapital grants and contributions of \$1,888,425 and \$962,995 in 2023 and 2022, respectively.

Statements of Cash Flows

The primary purpose of the statements 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

	2023	2022 (As Restated)	2021
Cash provided by (used in):			
Operating activities	\$ 2,126,510	\$ (167,962)	\$ 2,803,120
Non-capital financing activities	(926,020)	(1,866,152)	152,405
Investing activities	2,026,536	4,122,024	(238,458)
Capital and related financing activities	(3,693,263)	(2,361,687)	(2,651,633)
Total	(466,237)	(273,777)	65,434
Cash - beginning of year	935,268	1,209,045	1,143,611
Cash - end of year	\$ 469,031	\$ 935,268	\$ 1,209,045

Capital Assets and Debt Administration

Capital Assets

The Hospital had \$13,708,620 and \$13,911,435 invested in capital assets at December 31, 2023 and 2022, respectively. The Hospital acquired or constructed capital assets in the amount of \$2,364,027 and \$3,646,876 during 2023 and 2022, respectively.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Debt

The Hospital had \$6,389,407 and \$7,367,027 in bond, notes, lease, and SBITA liabilities outstanding at December 31, 2023 and 2022, respectively.

GASB No. 68 (Accounting and Financial Reporting for Pensions), as amended by GASB Statement No. 71 and GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions)

Included in the Hospital's financial statements is the impact of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Hospital is required to recognize their proportionate share of the Ohio Public Employees Retirement System (OPERS) unfunded liability within the financial statements. A proportionate share of the net pension liabilities of OPERS and other postemployment benefits (OPEB) has been allocated to the Hospital, based on retirement plan contributions for Hospital employees. The cumulative impact of adopting GASB Statement No. 68 and GASB Statement No. 75 has been a \$14,903,001 reduction in the Hospital's net position through December 31, 2023.

These standards fundamentally changed the future accounting and financial reporting requirements for public pensions. The standards required each public employer to account for a portion of its public pension plan's unfunded liabilities on their statements of net position. As part of this accounting recognition, there will be operating income/loss impacts into the future. However, since the impact is dependent upon the OPERS investment portfolio performance via market investments, it is uncertain as to the performance of these investments in future years.

The rules represent a change in reporting – not a change in funding. The Hospital continues to contribute 14% annually to the pension and OPEB. This is the same percentage contributed prior to the adoption of these standards.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The chart below summarizes 2023 activity with and without the impact of GASB Statement No. 68 and GASB Statement No. 75.

	Presentation in accordance with Generally Accepted Accounting Principles	Presentation without GASB 68 & 75
Operating results		
Operating income	\$ 1,178,428	\$ 2,571,676
Net position		
Assets and deferrals	\$ 45,082,513	\$ 31,478,271
Liabilities and deferrals	41,126,309	12,619,066
Net position	3,956,204	18,859,205
Total liabilities and net position	\$ 45,082,513	\$ 31,478,271

Contacting the Hospital's Financial Management

The financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, 601 State Route 664, P.O. Box 966, Logan, OH 43138.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022		2023	2022
	2023	(As Restated)		
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	\$ 469,031	\$ 935,268	\$ 564,065	\$ 998,401
Patient accounts receivable, net of uncollectible accounts of approximately \$974,000 and \$934,000 in 2023 and 2022, respectively	10,556,904	8,060,779	-	-
Investments	4,335,260	6,069,687	498,344	134,722
Inventories	507,166	434,018	-	-
Estimated amounts due from third-party payors	-	115,845	-	-
Prepaid expenses and other assets	1,901,290	1,308,603	6,163	3,000
Total current assets	17,769,651	16,924,200	1,068,572	1,136,123
Noncurrent assets				
Board designated cash	-	-	290,000	290,000
Net pension asset	122,196	178,295	-	-
Net other post-employment benefit asset	-	2,795,917	-	-
Donor restricted investments	-	-	218,052	218,052
Noncurrent investments	-	-	250,000	-
Total noncurrent assets	122,196	2,974,212	758,052	508,052
Capital assets				
Land and construction in progress	906,253	733,472	954,288	954,288
Buildings, land improvements, and equipment, net	8,620,035	8,260,356	1,071,982	1,112,866
Intangible right-to-use assets, net	4,182,332	4,917,607	-	-
Capital assets, net	13,708,620	13,911,435	2,026,270	2,067,154
Total assets	31,600,467	33,809,847	3,852,894	3,711,329
Deferred outflows of resources				
Pension	11,754,072	4,228,418	-	-
Other post-employment benefits	1,727,974	194,428	-	-
Total outflows of resources	13,482,046	4,422,846	-	-
Total assets and deferred outflows of resources	\$ 45,082,513	\$ 38,232,693	\$ 3,852,894	\$ 3,711,329

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022		2023	2022
	2023	(As Restated)		
Current liabilities				
Current portion lease liability	\$ 685,707	\$ 485,458	\$ -	\$ -
Current portion subscription-based information technology arrangements liability	609,112	588,369	-	-
Current portion of long-term debt	170,711	223,358	45,661	43,974
Accounts payable and accrued expenses	3,100,926	2,201,601	-	14,097
Accrued payroll and related liabilities	1,077,886	1,175,983	-	-
Self-insurance liabilities	280,227	411,610	-	-
Accrued vacation and sick leave	814,417	732,830	-	-
Estimated amounts due to third party payors	956,203	-	-	-
Refundable advances, current portion	-	1,673,528	-	-
Total current liabilities	<u>7,695,189</u>	<u>7,492,737</u>	<u>45,661</u>	<u>58,071</u>
Noncurrent liabilities, net of current portions				
Noncurrent lease liability	1,891,840	2,257,981	-	-
Noncurrent subscription-based information technology arrangements liability	1,486,877	2,095,990	-	-
Net pension liability	27,685,815	8,106,689	-	-
Net other post-employment benefit liability	570,166	-	-	-
Long-term debt	1,545,160	1,715,871	817,961	852,284
Total noncurrent liabilities	<u>33,179,858</u>	<u>14,176,531</u>	<u>817,961</u>	<u>852,284</u>
Total liabilities	40,875,047	21,669,268	863,622	910,355
Deferred inflows of resources				
Pension	51,202	9,898,858	-	-
Other post-employment benefits	200,060	2,901,264	-	-
Total deferred inflows of resources	<u>251,262</u>	<u>12,800,122</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	7,319,213	6,544,408	1,162,648	1,170,896
Restricted for:				
Nonexpendable:				
Endowment	-	-	179,236	179,236
Expendable:				
Donor restricted for various purposes	-	-	38,816	38,816
Unrestricted	<u>(3,363,009)</u>	<u>(2,781,105)</u>	<u>1,608,572</u>	<u>1,412,026</u>
Total net position	<u>3,956,204</u>	<u>3,763,303</u>	<u>2,989,272</u>	<u>2,800,974</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 45,082,513</u>	<u>\$ 38,232,693</u>	<u>\$ 3,852,894</u>	<u>\$ 3,711,329</u>

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2023	2022	2023	2022
		(As Restated)		
Operating revenues				
Net patient service revenue	\$ 43,476,183	\$ 39,424,503	\$ -	\$ -
Other operating revenue	956,778	585,477	110,000	96,000
Total operating revenues	<u>44,432,961</u>	<u>40,009,980</u>	<u>110,000</u>	<u>96,000</u>
Operating expenses				
Salaries and wages	16,998,956	15,587,287	-	-
Employee benefits	8,018,619	1,264,774	-	-
Supplies and other expenses	8,283,127	7,631,867	35,512	49,765
Professional fees and service	7,169,945	6,424,734	-	-
Depreciation and amortization	2,566,842	2,331,065	40,884	40,883
Insurance	217,044	194,361	-	-
Total operating expenses	<u>43,254,533</u>	<u>33,434,088</u>	<u>76,396</u>	<u>90,648</u>
Operating income	1,178,428	6,575,892	33,604	5,352
Nonoperating revenues (expenses)				
Payments made to The Hocking Valley Community Hospital Memorial Fund, Inc.	(2,848,380)	(2,850,051)	-	-
Net investment income (loss)	292,109	191,889	68,091	(33,125)
Interest expense	(351,616)	(379,475)	(49,572)	(35,136)
Other nonoperating income	33,935	20,904	-	-
Grant expenses and support	-	-	(22,451)	(34,400)
Noncapital grants and contributions	1,888,425	962,995	158,626	450,754
Total nonoperating revenues (expenses)	<u>(985,527)</u>	<u>(2,053,738)</u>	<u>154,694</u>	<u>348,093</u>
Change in net position	192,901	4,522,154	188,298	353,445
Net position - beginning of year				
Beginning of year, as previously reported	3,763,303	(254,627)	2,800,974	2,447,529
Cumulative effect of accounting change	-	(504,224)	-	-
Net position - beginning of year, as restated	<u>3,763,303</u>	<u>(758,851)</u>	<u>2,800,974</u>	<u>2,447,529</u>
Net position, end of year	<u>\$ 3,956,204</u>	<u>\$ 3,763,303</u>	<u>\$ 2,989,272</u>	<u>\$ 2,800,974</u>

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022		2023	2022
	2023	(As Restated)		
Cash flows from operating activities				
Cash received from patients and third party payors	\$ 40,378,578	\$ 35,175,730	\$ -	\$ -
Cash paid to employees for wages and benefits	(23,772,220)	(21,707,418)	-	-
Cash paid to vendors for goods and services	(15,436,626)	(14,221,751)	(52,772)	(47,629)
Other receipts	956,778	585,477	110,000	96,000
Net cash provided by (used in) operating activities	2,126,510	(167,962)	57,228	48,371
Cash flows from noncapital financing activities				
Grants, contributions, and other nonoperating revenue	1,922,360	983,899	158,626	450,754
Grant expenses and support	-	-	(22,451)	(34,400)
Payments made to The Hocking Valley Community Hospital Memorial Fund, Inc.	(2,848,380)	(2,850,051)	-	-
Net cash provided by (used in) noncapital financing activities	(926,020)	(1,866,152)	136,175	416,354
Cash flows from capital and related financing activities				
Issuance of long-term debt	-	818,741	-	-
Principal payments on long-term debt	(223,358)	(402,707)	(32,636)	(42,214)
Principal payments on lease obligations	(973,042)	(470,774)	-	-
Principal payments of subscription-based information technology arrangement obligations	(588,370)	(569,475)	-	-
Interest paid	(351,616)	(379,475)	(49,572)	(35,136)
Acquisition and construction of capital assets	(1,556,877)	(1,357,997)	-	-
Net cash used in capital and related financing activities	(3,693,263)	(2,361,687)	(82,208)	(77,350)
Cash flows from investing activities				
Interest and dividend income	292,109	191,889	24,127	3,339
Sale of investments	1,950,000	4,050,000	-	3,549
Investment purchases and reinvestments	(215,573)	(119,865)	(569,658)	-
Net cash provided by (used in) investing activities	2,026,536	4,122,024	(545,531)	6,888
Net increase (decrease) in cash and cash equivalents	(466,237)	(273,777)	(434,336)	394,263
Cash and cash equivalents:				
Beginning of year	935,268	1,209,045	998,401	604,138
End of year	<u>\$ 469,031</u>	<u>\$ 935,268</u>	<u>\$ 564,065</u>	<u>\$ 998,401</u>

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022		2023	2022
	2023	(As Restated)		
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,178,428	\$ 6,575,892	\$ 33,604	\$ 5,352
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization	2,566,842	2,331,065	40,884	40,883
Provision for bad debt	3,018,043	2,461,522	-	-
Pension benefit (GASB 68)	2,261,915	(2,813,565)	-	-
Other post employment benefits (GASB 75)	(868,667)	(2,233,925)	-	-
Changes in:				
Patient accounts receivable	(5,514,168)	(4,028,278)	-	-
Inventories, prepaid expenses and other assets	(665,835)	102,390	(3,163)	(3,000)
Accounts payable, accrued expenses and unearned revenue	899,325	(74,928)	(14,097)	5,136
Accrued payroll and related liabilities	(98,097)	74,641	-	-
Self-insurance liabilities	(131,383)	71,175	-	-
Refundable advances	(1,673,528)	(2,314,676)	-	-
Estimated amounts due from third-party payors	1,072,048	(365,592)	-	-
Accrued vacation and sick leave	81,587	46,317	-	-
Net cash provided by (used in) operating activities	<u>\$ 2,126,510</u>	<u>\$ (167,962)</u>	<u>\$ 57,228</u>	<u>\$ 48,371</u>
Supplemental disclosure of noncash capital financing activities				
Assets acquired under lease liabilities	\$ 807,150	\$ 2,242,461	\$ -	\$ -
Assets acquired under subscription-based information technology arrangement liabilities	\$ -	\$ 46,418	\$ -	\$ -

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. REPORTING ENTITY

Hocking Valley Community Hospital (the Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statutes of the state of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances, and its staff. The Hospital is considered a component unit of Hocking County, Ohio, and is included as a component unit in the basic financial statements of Hocking County.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) is included as a discretely presented component unit in a separate column in the Hospital's financial statements to emphasize that it is legally separate from the Hospital. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Hospital in support of its programs. Although the Hospital does not control the timing or the amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, it is considered a component unit of the Hospital. The Foundation is a private nonprofit organization that reports under accounting principles generally accepted in the United States of America set forth by Financial Accounting Standards Board (FASB) standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements include the accounts of the Hospital and its component unit, the Foundation. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB 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, which provides a comprehensive look at the Hospital's financial activities.

The Foundation reports under accounting principles generally accepted in the United States of America set forth by FASB standards. As such, certain presentation features for the Foundation have been conformed to the GASB presentation. There were no significant differences between the two frameworks related to the Foundation.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Use of Estimates

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

Proprietary Fund Accounting

The Hospital utilizes the propriety 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 investments in highly liquid debt instruments with an original maturity of three months or less at the date of purchase.

Inventories

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

Investments

The Hospital records its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Unrealized gains and losses on investments are included in net investment income (loss) in the statements of revenues, expenses, and changes in net position.

The Foundation records its investments at fair value in accordance with the Investments Topic of the Accounting Standards Codification. Differences between cost and fair value are recognized as unrealized gains or losses in the period in which they occur. The realized gain or loss on investments is the difference between the proceeds received and the cost of investments sold.

The Hospital and Foundation hold investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Donor Restricted Investments

Donor restricted investments consist of assets maintained by the Foundation whose use is restricted by a donor.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Statements of Revenues, Expenses, and Changes in Net Position

The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional services, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense, investment losses, and expenses for grants to the Foundation which represent amounts paid to the Foundation for the benefit of Hocking Valley Medical Group (see Note 17).

Capital Assets

Purchased, constructed, or intangible right-to-use capital assets are reported at historical costs. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed \$5,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of right-to-use assets) using the straight-line method of depreciation using these useful lives:

Buildings and related improvements	10 to 40 years
Fixed equipment	10 to 20 years
Moveable equipment	3 to 20 years
Land improvements	10 to 20 years
Subscription-based information technology arrangements	2 to 10 years

Amortization expense on right-to-use assets is included in depreciation and amortization in the statements of revenues, expenses, and changes in net position. The asset and accumulated depreciation/amortization are removed from the related accounts when the asset is disposed. Any gain or loss resulting from this disposal is recorded in the statements of revenues, expenses, and changes in net position.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Compensated Absences

The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 400 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Upon retirement, employees aged 65 or older with a minimum of 10 years of service, and employees with 30 years of service regardless of age have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 31, 2023 and 2022, the liability for accrued vacation and sick leave was \$814,417 and \$732,830, respectively.

Grants and Contributions

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

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

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted Net Position: Results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position: Consists of remaining net position that does not meet the previously listed criteria.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is purchased for claims arising in such matters.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Franchise Fee

Effective July 1, 2009, the state of Ohio began assessing a franchise fee to hospitals to fund health care programs. The Hospital incurred franchise fee expenses of \$1,162,492 and \$1,070,834 in 2023 and 2022, respectively, and recorded the amount in supplies and other expenses in the statements of revenues, expenses, and changes in net position. Additionally, the Hospital paid \$612,805 and \$0 of its 2023 and 2022 franchise fee payments in advance, which was reflected in the statements of net position as prepaid expenses as of December 31, 2023 and 2022, respectively. There was no franchise fee liability payable to the State of Ohio at December 31, 2023 and 2022.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments, and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services subject to the federal sequestration provisions. Payment for the majority of Medicaid inpatient and outpatient services is based on a prospectively determined fixed price. Gross patient service revenue is recorded in the accounting records using the established rates for the type of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for services rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals.

Payors include federal and state agencies, including Medicare, Medicaid, managed care health plans, commercial insurance companies, employers, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments 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.

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.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 revenue.

Of the Hospital's total operating expenses (approximately \$43,255,000 and \$33,434,000 during 2023 and 2022, respectively), an estimated \$248,000 and \$249,000 arose from providing services to charity patients during 2023 and 2022, 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 recognized through this program totaled \$546,186 and \$1,086,844 for 2023 and 2022, respectively, and are reported as net patient service revenue in the financial statements.

Pension and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension and OPEB assets and liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB income and expense, information about the net position of the Ohio Public Employees Retirement System (OPERS) and addition to/deductions from the OPERS's net position have been determined on the same basis as they are reported by the OPERS.

Subsequent Events

The Hospital has evaluated subsequent events through May 29, 2024, the date the financial statements were available to be issued.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

3. CHANGE IN ACCOUNTING PRINCIPLE

In 2023, the Hospital implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96), which requires subscription-based information technology arrangements (SBITAs) that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs were not recorded in the statement of net position. The following table outlines the prior period adjustments necessary to implement this standard.

Statement of Net Position

	As previously stated, December 31, 2022	Adjustment	As restated, December 31, 2022
Net position	\$ 4,227,334	\$ (464,031)	\$ 3,763,303
Intangible right-to-use assets, net	2,697,279	2,220,328	4,917,607
Current portion of SBITA liability	-	588,369	588,369
Noncurrent portion of SBITA liability	-	2,095,990	2,095,990

Statement of Revenues, Expenses, and Changes in Net Position

	As previously stated, 2022	Adjustment	As restated, 2022
Supplies and other expenses	\$ 8,422,775	\$ (790,908)	\$ 7,631,867
Interest expense	158,042	221,433	379,475
Depreciation and amortization	1,801,783	529,282	2,331,065
Net decrease in 2022 change in net position		<u>\$ (40,193)</u>	

Statement of Cash Flows

	As previously stated, 2022	Adjustment	As restated, 2022
Cash paid to vendors for goods and services	\$ (15,012,659)	\$ 790,908	\$ (14,221,751)
Principal payments of subscription-based information technology arrangement obligations	-	(569,475)	(569,475)
Interest paid	(158,042)	(221,433)	(379,475)
Depreciation and amortization	1,801,783	529,282	2,331,065

4. FUNCTIONAL EXPENSES AND OTHER – FOUNDATION

The Foundation performs fundraising services on behalf of the Hospital. Expenses related to providing these services for the year ended December 31, 2023 were as follows:

	Fundraising
Supplies and other expenses	\$ 35,512
Depreciation	40,884
	<u>\$ 76,396</u>

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Expenses related to providing these services for the year ended December 31, 2022 were as follows:

	<u>Fundraising</u>
Supplies and other expenses	\$ 49,765
Depreciation	<u>40,883</u>
	<u>\$ 90,648</u>

Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of net position date for general expenditures for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 564,065	\$ 998,401
Investments	<u>498,344</u>	<u>134,722</u>
	<u>\$ 1,062,409</u>	<u>\$ 1,133,123</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of net position date. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

5. DEPOSITS AND INVESTMENTS

Deposits

State law requires insurance or collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. Through December 31, 2023, Federal Deposit Insurance Corporation (FDIC) insurance for funds held in interest bearing accounts is \$250,000 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized. The Hospital's investment policy does not address custodial credit risk, but it believes that the Hospital's depository bank carries sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and is in compliance with the requirements specified in Sections 135.18 and 135.181 of the Ohio Revised Code.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
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The bank balances of the Hospital's deposits at December 31, 2023 and 2022 totaled \$5,170,197 and \$7,205,150, respectively, and were subject to the following categories of custodial credit risk:

	2023	2022
Collateral held by the counterparty's agent but not in the name of the Hospital	\$ 569,874	\$ 870,800
Total amount subject to custodial risk	569,874	870,800
Amount insured	4,600,323	6,334,350
Total bank balances	\$ 5,170,197	\$ 7,205,150

Investments – The Hospital

The Hospital has adopted an investment policy that is consistent with the allowable investments provided by the Auditor of State. The policy authorizes the Hospital to invest in the following:

- United States obligations or any other obligation guaranteed as to principal and interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Revised Code Section 135.08.
- Bonds or other obligations of the state of Ohio.
- The Ohio Subdivisions Fund (Star Ohio) as provided in Ohio Revised Code Section 135.45.
- Certificates of deposit.

The Hospital's investments generally are reported at fair value, as discussed in Note 2. At December 31, 2023 and 2022, the Hospital had the following investments, maturities and rates (per Standard & Poor's), all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

	2023		
	Carrying Amount	Investment Maturities	
		Less than 1 Year	1-5 Years
Money market funds			
AAA	\$ 4,335,260	\$ 4,335,260	\$ -
	\$ 4,335,260	\$ 4,335,260	\$ -

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	2022		
	Carrying Amount	Investment Maturities	
		Less than 1 Year	1-5 Years
Money market funds			
AAA	\$ 6,069,687	\$ 6,069,687	\$ -
	\$ 6,069,687	\$ 6,069,687	\$ -

Interest Rate Risk

The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2023 and 2022 have effective maturity dates of less than five years.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk. For the years ended December 31, 2023 and 2022, the Hospital is not exposed to custodial credit risk as it relates to its investment portfolio.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any issuer. This does not apply to obligations and agencies of the United States Treasury which are deemed to be "risk-free". The Hospital's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. The Hospital believes that it is not exposed to any significant credit risk on investments.

Investments – The Foundation

As of December 31, the fair values of the Foundation's investments were as follows:

	2023	2022
Mutual funds	\$ 237,001	\$ 172,539
Exchange traded funds	186,779	131,451
Common stock	35,998	42,681
Money market funds	1,059	6,103
Certificates of deposit	505,559	-
	\$ 966,396	\$ 352,774

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The Foundation's investments are reflected in the statements of net position as follows at December 31:

	2023	2022
Investments - current assets	\$ 498,344	\$ 134,722
Investments - noncurrent assets	250,000	-
Donor restricted investments - noncurrent assets	218,052	218,052
	\$ 966,396	\$ 352,774

The Foundation's investment income for the year ended December 31 consisted of the following:

	2023	2022
Interest and dividends, net of investment management fees	\$ 24,127	\$ 3,339
Net unrealized/realized gains/(losses)	43,964	(36,464)
	\$ 68,091	\$ (33,125)

6. 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). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. 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 and Foundation have 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.

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

- Money markets – Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. 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 Foundation are deemed to be actively traded.
- Exchange traded funds - Valued at the daily closing price as reported by the fund. Exchange traded funds held by the Foundation are 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 exchange traded funds held by the Foundation are deemed to be actively traded.
- Common stock – Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of December 31, 2023 and 2022. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

		2023			
		Level 1	Level 2	Level 3	Total
Money market funds					
AAA	\$	-	\$ 4,335,260	\$ -	\$ 4,335,260
	\$	-	\$ 4,335,260	\$ -	\$ 4,335,260
		2022			
		Level 1	Level 2	Level 3	Total
Money market funds					
AAA	\$	-	\$ 6,069,687	\$ -	\$ 6,069,687
	\$	-	\$ 6,069,687	\$ -	\$ 6,069,687

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period.

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Foundation assets measured at fair value on a recurring basis as of December 31, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 1,059	\$ -	\$ 1,059
Mutual funds:				
Money market	8,391	-	-	8,391
Fixed income	109,649	-	-	109,649
Foreign large blend	38,078	-	-	38,078
Foreign large growth	8,594	-	-	8,594
Foreign small/mid blend	8,363	-	-	8,363
Foreign small/mid growth	4,707	-	-	4,707
Large growth	42,578	-	-	42,578
Mid-cap growth	16,641	-	-	16,641
Exchange traded funds:				
Fixed income	29,577	-	-	29,577
Foreign large blend	38,482	-	-	38,482
Large value growth	42,362	-	-	42,362
Large value growth	42,469	-	-	42,469
Mid-cap blend	21,143	-	-	21,143
Small blend	12,746	-	-	12,746
Common stock:				
Energy	35,998	-	-	35,998
	<u>\$ 459,778</u>	<u>\$ 1,059</u>	<u>\$ -</u>	460,837
Certificates of deposit				<u>505,559</u>
Total investments and certificates of deposit				<u>\$ 966,396</u>

Foundation assets measured at fair value on a recurring basis as of December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 6,103	\$ -	\$ 6,103
Mutual funds:				
Fixed income	27,533	-	-	27,533
Foreign large blend	22,874	-	-	22,874
Foreign large growth	6,751	-	-	6,751
Foreign mid growth	3,345	-	-	3,345
Large growth	40,965	-	-	40,965
Mid-cap growth	52,058	-	-	52,058
Small value	19,013	-	-	19,013
Exchange traded funds:				
Fixed income	20,853	-	-	20,853
Foreign large blend	29,526	-	-	29,526
Large value	54,401	-	-	54,401
Mid-cap value	15,109	-	-	15,109
Small blend	11,562	-	-	11,562
Common stock:				
Energy	42,681	-	-	42,681
Total investments	<u>\$ 346,671</u>	<u>\$ 6,103</u>	<u>\$ -</u>	<u>\$ 352,774</u>

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7. CAPITAL ASSETS

The Hospital's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

	2023				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Capital assets not being depreciated:					
Land	\$ 5,120	\$ -	\$ -	\$ -	\$ 5,120
Construction in process	728,352	699,696	(526,915)	-	901,133
Total non-depreciable capital assets	733,472	699,696	(526,915)	-	906,253
Depreciable capital assets:					
Land improvements	559,611	-	-	-	559,611
Buildings and improvements	18,213,010	248,183	822,060	-	19,283,253
Equipment	22,805,105	608,998	214,401	-	23,628,504
Total depreciable capital assets	41,577,726	857,181	1,036,461	-	43,471,368
Less accumulated depreciation:					
Land improvements	(488,452)	(24,900)	-	-	(513,352)
Buildings and improvements	(12,683,515)	(625,810)	-	-	(13,309,325)
Equipment	(20,145,403)	(883,253)	-	-	(21,028,656)
Total accumulated depreciation	(33,317,370)	(1,533,963)	-	-	(34,851,333)
Total depreciable capital assets, net	8,260,356	(676,782)	1,036,461	-	8,620,035
Intangible right-to-use assets:					
Leased equipment	2,958,315	238,770	(214,401)	-	2,982,684
Leased building space	466,019	568,380	(466,019)	-	568,380
SBITA assets	5,279,763	-	-	-	5,279,763
Total intangible right-to-use assets	8,704,097	807,150	(680,420)	-	8,830,827
Less accumulated amortization:					
Leased equipment	(579,482)	(292,226)	-	-	(871,708)
Leased building space	(147,573)	(193,964)	170,874	-	(170,663)
SBITA assets	(3,059,435)	(546,689)	-	-	(3,606,124)
Total accumulated amortization	(3,786,490)	(1,032,879)	170,874	-	(4,648,495)
Total intangible right-to-use assets, net	4,917,607	(225,729)	(509,546)	-	4,182,332
Total capital assets, net	<u>\$ 13,911,435</u>	<u>\$ (202,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,708,620</u>

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	2022				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Non-depreciable capital assets:					
Land	\$ 5,120	\$ -	\$ -	\$ -	\$ 5,120
Construction in process	141,759	721,007	(134,414)	-	728,352
Total non-depreciable capital assets	146,879	721,007	(134,414)	-	733,472
Depreciable capital assets:					
Land improvements	559,611	-	-	-	559,611
Buildings and improvements	17,846,014	292,989	74,007	-	18,213,010
Equipment	21,576,808	344,001	884,296	-	22,805,105
Total depreciable capital assets	39,982,433	636,990	958,303	-	41,577,726
Less accumulated depreciation:					
Land improvements	(452,536)	(35,916)	-	-	(488,452)
Buildings and improvements	(12,087,981)	(595,534)	-	-	(12,683,515)
Equipment	(18,614,176)	(659,928)	(871,299)	-	(20,145,403)
Total accumulated depreciation	(31,154,693)	(1,291,378)	(871,299)	-	(33,317,370)
Total depreciable capital assets, net	8,827,740	(654,388)	87,004	-	8,260,356
Intangible right-to-use assets:					
Leased equipment	1,539,743	2,242,461	(823,889)	-	2,958,315
Leased building space	466,019	-	-	-	466,019
SBITA assets	5,233,345	46,418	-	-	5,279,763
Total intangible right-to-use assets	7,239,107	2,288,879	(823,889)	-	8,704,097
Less accumulated amortization:					
Leased equipment	(986,978)	(463,803)	871,299	-	(579,482)
Leased building space	(100,971)	(46,602)	-	-	(147,573)
SBITA assets	(2,530,153)	(529,282)	-	-	(3,059,435)
Total accumulated amortization	(3,618,102)	(1,039,687)	871,299	-	(3,786,490)
Total intangible right-to-use assets, net	3,621,005	1,249,192	47,410	-	4,917,607
Total capital assets, net	<u>\$ 12,595,624</u>	<u>\$ 1,315,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,911,435</u>

Total depreciation and amortization expense related to the Hospital's capital assets for 2023 and 2022 was \$2,566,842 and \$2,331,065, respectively.

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The Foundation's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

	2023				
	Beginning				Ending
	Balance	Additions	Transfers	Retirements	Balance
Capital assets not being depreciated:					
Land	\$ 954,288	\$ -	\$ -	\$ -	\$ 954,288
Total non-depreciable capital assets	954,288	-	-	-	954,288
Depreciable capital assets:					
Buildings and improvements	1,694,990	-	-	-	1,694,990
Equipment	12,421	-	-	-	12,421
Total depreciable capital assets	1,707,411	-	-	-	1,707,411
Less accumulated depreciation:					
Buildings and improvements	(582,124)	(40,884)	-	-	(623,008)
Equipment	(12,421)	-	-	-	(12,421)
Total accumulated depreciation	(594,545)	(40,884)	-	-	(635,429)
Total depreciable capital assets, net	1,112,866	(40,884)	-	-	1,071,982
Total capital assets, net	<u>\$ 2,067,154</u>	<u>\$ (40,884)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,026,270</u>
2022					
	Beginning				Ending
	Balance	Additions	Transfers	Retirements	Balance
Capital assets not being depreciated:					
Land	\$ 954,288	\$ -	\$ -	\$ -	\$ 954,288
Total non-depreciable capital assets	954,288	-	-	-	954,288
Depreciable capital assets:					
Buildings and improvements	1,694,990	-	-	-	1,694,990
Equipment	12,421	-	-	-	12,421
Total depreciable capital assets	1,707,411	-	-	-	1,707,411
Less accumulated depreciation:					
Buildings and improvements	(541,241)	(40,883)	-	-	(582,124)
Equipment	(12,421)	-	-	-	(12,421)
Total accumulated depreciation	(553,662)	(40,883)	-	-	(594,545)
Total depreciable capital assets, net	1,153,749	(40,883)	-	-	1,112,866
Total capital assets, net	<u>\$ 2,108,037</u>	<u>\$ (40,883)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,067,154</u>

Total depreciation expense related to the Foundation's capital assets for 2023 and 2022 was \$40,884 and \$40,883, respectively.

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Intangible Right-to-Use Assets

Leased Equipment and Building Space

In 2022, the Hospital implemented the guidance in GASB Statement No. 87 – *Leases* (GASB 87) and recognized the value of equipment leased under long-term contracts. At December 31, 2023 and 2022, the Hospital has various lease agreements in place for equipment and building space. The values of these intangible right-to-use assets are amortized straight-line over the lease terms, including renewal options the Hospital is reasonably certain to exercise. The amortization periods conclude at various times through 2029. The terms of the lease agreements are addressed in Note 8.

SBITA Assets

In 2023, the Hospital adopted the guidance in GASB 96 and recognized the value of SBITAs under long-term contracts in the statement of net position. As of December 31, 2023 and 2022, the Hospital had various agreements in place for SBITAs. The values of the SBITA intangible right-to-use asset are amortized straight-line over the arrangement term, including renewal periods the Hospital is reasonably certain to exercise. The amortization periods conclude at various times through 2028. The terms of the SBITA agreements are addressed in Note 8.

8. LEASE AND SBITA LIABILITIES

In 2022, the Hospital implemented the guidance of GASB 87 for accounting and reporting leases that had previously been reported as operating leases. In 2023, the Hospital implemented the guidance of GASB 96 for accounting and reporting SBITAs that had previously not been reported on the statement of net position. Under these GASB statements, the Hospital recognized intangible right-to-use assets and corresponding lease and SBITA liabilities in the statements of net position.

GASB 87

Medical and Office Equipment Leases

The Hospital has a variety of leases related to medical and office equipment. Terms of these leases range between 36 and 84 months and carry monthly minimum payments from \$489 to \$29,965. For purposes of discounting future payments on leases, the Hospital uses the incremental borrowing rate, unless an interest rate is explicitly stated on the agreement related to corresponding leases. The discount rates as of December 31, 2023 and 2022 range from 2.46% to 7.49%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7.

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Building Leases

The Hospital leases building space from the Foundation and Hocking Valley Medical Group, Inc. for use as commercial medical space. Terms of the leases range between 24 and 120 months and carry monthly payments from \$6,000 to \$15,841. For purposes of discounting future payments on leases, the Hospital uses the incremental borrowing rate, unless an interest rate is explicitly stated on the agreement related to corresponding leases. The discount rates as of December 31, 2023 and 2022 range from 3.78% to 5.25%. The leased building space and accumulated amortization of the right-to-use assets are outlined in Note 7.

Remaining payments on lease liabilities include:

	Lease Payments to Maturity					
	Equipment			Building Space		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 434,976	\$ 76,655	\$ 511,631	\$ 250,731	\$ 11,355	\$ 262,086
2025	412,222	58,761	470,983	116,430	3,093	119,523
2026	377,560	42,845	420,405	35,606	394	36,000
2027	388,708	27,976	416,684	-	-	-
2028	373,677	15,229	388,906	-	-	-
Thereafter	187,637	1,903	189,540	-	-	-
Totals	\$ 2,174,780	\$ 223,369	\$ 2,398,149	\$ 402,767	\$ 14,842	\$ 417,609

The progressions for lease liabilities for 2023 and 2022 are as follows:

December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
\$ 2,743,439	\$ 807,150	\$ (973,042)	\$ 2,577,547	\$ 685,707
December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
\$ 971,752	\$ 2,242,461	\$ (470,774)	\$ 2,743,439	\$ 485,458

GASB 96

SBITA agreements under GASB 96 for the Hospital include its electronic health records (EHR) system and health care staff education system. The EHR SBITA arrangement requires monthly payments in the amount of \$62,138 through February 2027, and the health care staff education SBITA arrangement required annual payments of \$23,281 through November 2023. The discount rate is based on the implicit rate in the SBITA agreement if stated. If not stated, the Hospital's incremental borrowing rate was used. The discount rate used for the outstanding agreements was 7.5% as of December 31, 2023 and 2022.

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Remaining payments on SBITA liabilities include:

	Principal	Interest	Total
2024	\$ 609,112	\$ 135,544	\$ 744,656
2025	656,399	89,257	745,656
2026	707,357	38,299	745,656
2027	123,121	1,155	124,276
	\$ 2,095,989	\$ 264,255	\$ 2,360,244

The progressions for SBITA liabilities for 2023 and 2022 are as follows:

December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
\$ 2,684,359	\$ -	\$ (588,370)	\$ 2,095,989	\$ 609,112

December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
\$ 3,207,416	\$ 46,418	\$ (569,475)	\$ 2,684,359	\$ 588,369

9. LINE OF CREDIT

The Hospital has a \$1,000,000 line of credit with a bank that is collateralized by all patient accounts receivable. The line of credit is due on demand. Interest is payable at a variable rate of prime plus 1.04% (9.54% and 8.54% at December 31, 2023 and 2022, respectively). The Hospital did not have any amounts outstanding as of December 31, 2023 or 2022.

10. LONG-TERM DEBT

Debt – Hospital

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

	2023				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Note payable, OAQDA	\$ 1,149,311	\$ -	\$ (134,461)	\$ 1,014,850	\$ 138,562
Note payable, Merchants National Bank	789,918	-	(88,897)	701,021	32,149
Total direct borrowings	1,939,229	-	(223,358)	1,715,871	170,711
Total debt	\$ 1,939,229	\$ -	\$ (223,358)	\$ 1,715,871	\$ 170,711

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	2022				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Note payable, OAQDA	\$ 1,279,793	\$ -	\$ (130,482)	\$ 1,149,311	\$ 134,461
Note payable, OSUWMC	243,402	-	(243,402)	-	-
Note payable, Merchants National Bank	-	818,741	(28,823)	789,918	88,897
Total direct borrowings	<u>1,523,195</u>	<u>818,741</u>	<u>(402,707)</u>	<u>1,939,229</u>	<u>223,358</u>
Total debt	<u>\$ 1,523,195</u>	<u>\$ 818,741</u>	<u>\$ (402,707)</u>	<u>\$ 1,939,229</u>	<u>\$ 223,358</u>

During 2016, the Hospital signed two direct borrowing notes payable with the Ohio Air Quality Development Authority (OAQDA) totaling \$1,918,748 to make energy efficient capital improvements to the Hospital. The first note, which totaled \$1,000,000, bears interest at 4.25%, with interest payments through December 1, 2030, due semi-annually. Annual principal payments begin December 1, 2024, with the final payment due December 1, 2030. The second note, which totaled \$918,748, bears interest at 3.05% with annual principal and interest payments beginning December 1, 2016, through December 1, 2024. At December 31, 2023 and 2022, the balance outstanding under these notes payable totaled \$1,014,850 and \$1,149,311, respectively.

The OAQDA notes payable contain a provision that whenever an event of default occurs, the principal and interest outstanding is due and payable immediately. The notes are not secured by any assets owned by the Hospital.

During 2018, the Hospital signed a note payable with The Ohio State University Wexner Medical Center (OSUWMC) totaling \$2,130,549 to fund the implementation cost of a new electronic medical record system at the Hospital. The note included imputed interest at 5.25% with monthly payments that began in June 2017 through May 2022. The note was not secured by any assets owned by the Hospital. This note was repaid in full in 2022.

During 2022, the Hospital signed a direct borrowing note payable with Merchants National Bank totaling \$818,741 to replace the roof of the Hospital building. Monthly payments of at least \$5,053 began in September 2022 and can continue through September 2032. The note bears interest through September 2027 at a rate of 4.15%, after which point the interest rate will adjust to the 5 Year Treasury rate as of September 2027, plus 3.5%, except that the interest rate on the note payable at September 2027 cannot fall below 4.15% or rise above 10.0%. A balloon payment of up to \$523,493 of interest and principal will be due September 2032 if the Hospital makes the minimum allowed monthly payment throughout the term of the loan. The Hospital has remitted payments in excess of the minimum payment amount each month in 2023 and 2022 and intends to continue doing so in future periods in order to avoid paying a balloon payment at the loan termination date. The note is secured by capital assets owned by the Hospital.

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Long-term debt payment requirements for fiscal years subsequent to December 31, 2023, are as follows:

	Notes from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 170,711	\$ 75,197	\$ 245,908
2025	174,326	69,603	243,929
2026	177,796	62,452	240,248
2027	184,768	54,964	239,732
2028	195,535	47,023	242,558
Thereafter	812,735	100,388	913,123
	<u>\$ 1,715,871</u>	<u>\$ 409,627</u>	<u>\$ 2,125,498</u>

Debt – Foundation

Information regarding the Foundation’s long-term debt activity and balances as of and for the year ended December 31, is as follows:

	2023				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Commercial loan	\$ 896,258	\$ -	\$ (32,636)	\$ 863,622	\$ 45,661
Total debt	<u>\$ 896,258</u>	<u>\$ -</u>	<u>\$ (32,636)</u>	<u>\$ 863,622</u>	<u>\$ 45,661</u>

	2022				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Commercial loan	\$ 938,472	\$ -	\$ (42,214)	\$ 896,258	\$ 43,974
Total debt	<u>\$ 938,472</u>	<u>\$ -</u>	<u>\$ (42,214)</u>	<u>\$ 896,258</u>	<u>\$ 43,974</u>

During 2018, the Foundation signed a note payable with Citizens Bank of Logan, now Merchants National Bank, totaling \$1,080,000 to purchase a new Medical Office Building. The note from direct borrowings has annual principal and interest payments beginning April 18, 2018, through April 18, 2038. Beginning on April 18, 2023, the interest rate is subject to change annually based on the weekly average yield of United States treasury securities. At December 31, 2023 and 2022, the interest rate was 6.27% and 3.77%, respectively. At December 31, 2023 and 2022, the balance outstanding under this note payable was \$863,622 and \$896,258, respectively.

The Foundation is required to meet a minimum debt service coverage ratio. Management believes the Foundation was in compliance with this covenant as of December 31, 2023 and 2022.

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Long-term debt obligation payment requirements for fiscal years subsequent to December 31, 2023, are as follows:

	Principal	Interest	Total
2024	\$ 45,661	\$ 31,312	\$ 76,973
2025	47,413	29,560	76,973
2026	49,231	27,742	76,973
2027	51,120	25,853	76,973
2028	53,081	23,892	76,973
Thereafter	617,116	137,471	754,587
	\$ 863,622	\$ 275,830	\$ 1,139,452

11. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2023	2022
Gross patient accounts receivable	\$ 28,257,813	\$ 18,361,707
Less allowance for:		
Uncollectible accounts	(973,812)	(933,828)
Contractual adjustments	(16,727,097)	(9,367,100)
Net patient accounts receivable	\$ 10,556,904	\$ 8,060,779

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 net receivables from patients and third-party payors was as follows:

	2023		2022	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	36%	52%	44%	52%
Medicaid	29%	23%	15%	23%
Commercial	28%	23%	32%	23%
Self-pay	7%	2%	9%	2%
	100%	100%	100%	100%

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12. ESTIMATED AMOUNTS DUE FROM THIRD-PARTY PAYORS

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. CAHs receive payments on a reasonable cost basis, for inpatient and most outpatient services to eligible Medicare patients. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare: On October 4, 2006, the Hospital became a Critical Access Hospital. After October 4, 2006, inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are reimbursed based on fee schedules.
- The Hospital and the Hospital's swing beds are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.
- Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.
- Other Payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

In 2023, approximately 52% of the Hospital's total gross patient revenue was derived from Medicare patients while 23% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

In 2022, approximately 52% of the Hospital's total gross patient revenue was derived from Medicare patients while 23% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

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Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. Management has determined that there was \$956,203 due to third party payors and \$115,845 due from third party payors as of December 31, 2023 and 2022, respectively. There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of revenues, expenses, and changes in net position in the year of settlement. The Hospital recorded a favorable adjustment of \$25,604 and an unfavorable adjustment of \$163,469 in net patient service revenue on the statements of revenue, expenses, and changes in net position in 2023 and 2022, respectively.

13. NET PATIENT SERVICE REVENUES

Net patient service revenue consists of the following:

	2023	2022
Revenue:		
Inpatient	\$ 20,360,716	\$ 16,260,910
Outpatient	97,569,830	81,982,235
Total patient revenue	117,930,546	98,243,145
Revenue deductions:		
Contractual allowances	(71,305,137)	(56,711,354)
Provision for bad debts	(3,018,043)	(2,461,522)
Charity care	(677,369)	(732,610)
HCAP revenue	546,186	1,086,844
Total deductions	(74,454,363)	(58,818,642)
Total net patient service revenue	\$ 43,476,183	\$ 39,424,503

14. OTHER LIABILITIES

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. The Hospital has purchased commercial insurance for malpractice, general liability, and employee medical claims.

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Medical Malpractice

For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is \$1,000,000 per occurrence and \$3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of \$2,000,000 per occurrence. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than \$1,000,000 per occurrence and \$3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past five years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability recorded for medical malpractice at December 31, 2023 and 2022.

Employee Health Insurance

The Hospital provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that covers specific items over \$500,000. An estimate of incurred but unpaid claims has been determined as of December 31, 2023 and 2022 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances as of and for the years ended December 31, 2023 and 2022 are as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2022	\$ 340,435	\$ 3,376,822	\$ 3,305,647	\$ 411,610
2023	\$ 411,610	\$ 3,562,381	\$ 3,693,764	\$ 280,227

15. BOARD DESIGNATED INVESTMENTS, ENDOWMENTS, AND RESTRICTED NET POSITION

Board Designated Investments

Board designated cash and investments of \$290,000 as of December 31, 2023 and 2022 are designated for future capital improvements at the Hospital.

Donor-Restricted – Expendable for Various Purposes

The Foundation has funds, which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were \$38,816 as of December 31, 2023 and 2022.

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Donor-Restricted – Nonexpendable Endowments

The Foundation maintains several permanent funds with donor-restricted endowments that totaled \$179,236 at December 31, 2023 and 2022. It is the Foundation's policy to transfer from the endowment funds to available funds an amount not to exceed 75% of the total return earned by the endowment. In this way, a portion of the total return will be added back to the principal of the fund to provide growth of the fund. The transfer of available funds shall also be limited in such a manner as to not decrease the designated principal of the fund. Available funds earned that are required to maintain the principal will not be transferred.

16. RETIREMENT PLANS

The Hospital contributed to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage 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.

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. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. Please see the Plan Statement in the OPERS 2022 Annual Comprehensive Financial Report for details.

The Ohio Revised Code permits, but does not require, 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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

In accordance with GASB Statements No. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities and assets 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 applied against the net pension/OPEB asset/liability in the following year. Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 10 years).

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 are as follows:

	2023	2022
Net pension liability - all employers	\$ 29,540,043,780	\$ 8,700,404,651
Proportion of the net pension asset - Hospital	0.093723%	0.093176%
	\$ 27,685,815	\$ 8,106,689
	2023	2022
Net pension asset - all employers	\$ 235,689,691	\$ 394,005,071
Proportion of the net pension asset - Hospital	0.051846%	0.045252%
	\$ 122,196	\$ 178,295

In relation to GASB 68, an expense of \$2,261,915 and a gain of \$2,813,565 is included in employee benefits expense for the years ended December 31, 2023 and 2022, respectively.

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

	2023	2022
Net OPEB asset/(liability) - all employers	\$ (630,519,175)	\$ 3,132,153,063
Proportion of the net OPEB asset/(liability) - Hospital	0.090428%	0.089265%
	\$ (570,166)	\$ 2,795,917

In relation to GASB 75, a gain of \$868,667 and \$2,233,925 is included in employee benefits expense for the years ended December 31, 2023 and 2022, respectively.

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At December 31, 2023, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Difference between expected and actual experience	\$ 927,119
Net difference between projected and actual earnings on pension plan assets	7,935,860
Assumption changes	300,571
Change in proportionate share	218,922
Difference between Hospital contributions and proportionate share of contributions	926
Employer contributions subsequent to the measurement date	2,370,674
Total	<u>\$ 11,754,072</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$ 17,460
Change in proportionate share	30,245
Difference between Hospital contributions and proportionate share of contributions	3,497
Total	<u>\$ 51,202</u>

At December 31, 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Difference between expected and actual experience	\$ 414,373
Assumption changes	1,022,693
Change in proportionate share	696,330
Difference between Hospital contributions and proportionate share of contributions	1,361
Employer contributions subsequent to the measurement date	2,093,661
Total	<u>\$ 4,228,418</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$ 197,741
Net difference between projected and actual earnings on pension plan	9,680,836
Change in proportionate share	16,633
Difference between Hospital contributions and proportionate share of contributions	3,648
Total	<u>\$ 9,898,858</u>

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At December 31, 2023, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:

Net difference between projected and actual earnings on OPEB plan assets	\$ 1,132,370
Assumption changes	556,894
Change in proportionate share	20,110
Employer contributions subsequent to the measurement date	18,600
Total	<u>\$ 1,727,974</u>

Deferred inflows of resources:

Difference between expected and actual experience	\$ 142,222
Assumption changes	45,823
Difference between Hospital contributions and proportionate share of contributions	12,015
Total	<u>\$ 200,060</u>

At December 31, 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:

Change in proportionate share	\$ 181,004
Employer contributions subsequent to the measurement date	13,424
Total	<u>\$ 194,428</u>

Deferred inflows of resources:

Difference between expected and actual experience	\$ 424,098
Net difference between projected and actual earnings on OPEB plan assets	1,332,896
Assumption changes	1,131,755
Difference between Hospital contributions and proportionate share of contributions	12,515
Total	<u>\$ 2,901,264</u>

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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:

2024	\$	(1,239,166)
2025		(1,871,636)
2026		(2,336,398)
2027		(3,886,788)
2028		197
Thereafter		1,595
Total	\$	<u>(9,332,196)</u>

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

2024	\$	(198,113)
2025		(411,063)
2026		(353,110)
2027		(547,028)
Total	\$	<u>(1,509,314)</u>

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

Pension: 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 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 FAS 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. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit vests in upon receipt of the initial benefit payment.

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OPEB: 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 Combined 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. Effective January 1, 2022, eligible non-Medicare retirees are part of a connector program similar to Medicare-enrolled members.

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 the earnable salary of active members. In 2023 and 2022, State and Local employers contributed at 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.

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 healthcare for members in the Traditional Pension Plan was 0.0% during calendar years 2023 and 2022. For the Combined Plan, the portion of employer contributions allocated to healthcare was 0% from January 1, 2022, to June 30, 2022, and was 2% from July 1, 2022, to December 31, 2023. 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 2023 and 2022 was 4.0%.

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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, 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, 2022 (OPEB is rolled forward from December 31, 2021 actuarial valuation date).

Actuarial Assumptions

Valuation Date: December 31, 2022 for pension and December 31, 2021 for OPEB

Rolled Forward Measurement Date: December 31, 2022 for OPEB

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.90% for pension and 6.00% for OPEB

Inflation: 2.75%

Projected Salary Increases: 2.75% to 10.75% for Traditional Plan and OPEB, 2.75% to 8.25% for Combined Plan

Cost-of-Living Adjustments: 3.00% Simple – for those retiring before January 7, 2013, 3.00% Simple for those retiring after January 7, 2013, through 2023, then 2.05% Simple.

Health Care Cost Trends: 5.5% initial, 3.5% ultimate in 2036

Mortality Rates

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality Tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality Tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For the previously described tables, the base year is 2010 and the mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Date of Last Experience Study

December 31, 2020

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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 Board-approved asset allocation policy for defined benefit pension assets for 2022 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	22%	2.6%
Domestic equity	22%	4.6%
Real estate	13%	3.3%
Private equity	15%	7.5%
International equity	21%	5.5%
Risk parity	2%	4.4%
Other investments	5%	3.3%
Total	100%	

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2022 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	34%	2.6%
Domestic equity	26%	4.6%
Real estate	7%	4.7%
International equity	25%	5.5%
Risk parity	2%	4.4%
Other investments	6%	1.8%
Total	100%	

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Discount Rate

Pension: The discount rate used to measure the total pension asset and liability was 6.9% 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 assets and pension liabilities.

OPEB: A discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.0%. 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 contribution for use with the long-term expected rate were not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projected cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rate. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which health care payments are fully funded.

Health Care Cost Trend Rate

A health care cost trend rate of 5.5% was used to measure the total OPEB liability on the measurement date of December 31, 2022. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project minimum 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 3.5% in the most recent valuation.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
\$ 41,472,828	\$ 27,685,815	\$ 16,217,828

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
\$ 63,771	\$ 122,196	\$ 168,500

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

1% Decrease (4.22%)	Current Rate (5.22%)	1% Increase (6.22%)
\$ (1,940,585)	\$ (570,166)	\$ 560,654

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

1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
\$ (534,429)	\$ (570,166)	\$ (610,389)

The amount of contributions recognized by the Hospital relating to the pensions for the years ending December 31, 2023 and 2022 were approximately \$2,371,000 and \$2,094,000, respectively.

The amount of contributions recognized by the Hospital relating to the OPEB plan for the years ending December 31, 2023 and 2022 were approximately \$19,000 and \$13,000, respectively.

17. RELATED PARTIES

Hocking Valley Community Hospital Memorial Fund, Inc.

The Hospital is the primary beneficiary of the Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation). The Foundation is a separate not-for-profit entity organized for the purpose of soliciting funds for the benefit of the Hospital.

The Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building that was set to expire in September 2018. The Foundation Board of Trustees made a resolution in 2016 to forgive rent owed by the Hospital and forego charging rent moving forward.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Hocking Valley Medical Group, Inc. (HVMG)

HVMG is organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice and to render the professional services of medicine and to further the charitable purposes of the Foundation and the Hospital. The financial activities of HVMG are not consolidated with that of the Foundation because of the absence of the criteria, control, and economic interest, that would require consolidation.

During the years ended December 31, 2023 and 2022, the Hospital disbursed funds totaling \$2,848,380 and \$2,850,051 on behalf of the Foundation to fund operating deficits, respectively. These amounts were paid to the Foundation who, acting as fiscal agent, remitted the funds to HVMG. As of December 31, 2023 and 2022, the Hospital has a receivable from HVMG of \$0.

Hocking Valley Health Services

Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the years ended December 31, 2023 and 2022 and the Hospital's ownership in HVHS is not material to the Hospital's financial statements as a whole. Therefore, the Hospital's financial statements exclude the activities of HVHS.

18. RENTAL AGREEMENTS

In November 2019, the Foundation entered into an agreement with the Hospital to rent property to be used as office space from November 2019 to October 2023 at \$5,000 per month. This agreement was amended in 2023 and now carries rent of \$6,000 per month. This agreement is subject to automatic one year extensions and includes a 3% increase to base rent each year the lease is renewed. The agreement has been extended through April 2025.

In May 2018, the Foundation entered into an agreement with Dr. Blankenbeckler to rent property to be used as office space from May 2018 to April 2023 at \$3,000 per month. This agreement was amended in 2023 and now carries rent of \$3,500 per month. This agreement is subject to automatic one year extensions and includes a 3% increase to base rent each year the lease is renewed. The agreement has been extended through April 2025.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

During 2023 and 2022, \$110,000 and \$96,000, respectively, was recognized as rental income. A schedule of the remaining minimum rental payments is below:

Year ended December 31,	
2024	\$ 116,565
2025	<u>29,355</u>
	<u>\$ 145,920</u>

The related cost and accumulated depreciation for the leased asset as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 858,951	\$ 858,951
Building	916,499	916,499
Less: Accumulated Depreciation	<u>(126,004)</u>	<u>(103,108)</u>
	<u>\$ 1,649,446</u>	<u>\$ 1,672,342</u>

19. REFUNDABLE ADVANCES

The passage of the Coronavirus Aid, Relief, and Economic Security Act authorized Center for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible healthcare organization, the Hospital was eligible to request up to 125% of their Medicare payment amounts for a six-month period. These payments were issued in April and June 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act, which passed on September 30, 2020, allowed providers to extend repayment for a full year before recoupment begins. In 2022, the Hospital requested and was granted by CMS to enter into an installment plan for the unrecouped portion of its Medicare Accelerated and Advance Payment Program amount. The installment plan required monthly payments of \$189,063 through September 2023, and carried an interest rate of 4.0%. As of December 31, 2022, the Hospital had unrecouped Medicare Accelerated and Advanced Payments of \$1,673,528 recorded as refundable advances on the statement of net position. This was recouped in full during 2023.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

20. CONTINGENCY

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.

SUPPLEMENTARY INFORMATION

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS, PENSION LIABILITIES,
AND PENSION CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, AND 2014

Schedule of Proportionate Share of the Net Pension Assets, Pension Liabilities, and Pension Contributions (rounded to the nearest 1,000)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital proportion of the collective net pension liability	0.09372%	0.09318%	0.08960%	0.08502%	0.08702%	0.09125%	0.09173%	0.09182%	0.09747%	*
Hospital proportionate share of the net pension liability	\$ 27,686,000	\$ 8,107,000	\$ 13,268,000	\$ 16,804,000	\$ 23,833,000	\$ 14,315,000	\$ 20,829,000	\$ 15,905,000	\$ 11,755,000	*
Hospital proportion of the collective net pension asset	0.05185%	0.04525%	0.04361%	0.06450%	0.04918%	0.07782%	0.08822%	0.98890%	0.10021%	*
Hospital proportionate share of the net pension asset	\$ 122,000	\$ 178,000	\$ 126,000	\$ 134,000	\$ 56,000	\$ 109,000	\$ 49,000	\$ 48,000	\$ 39,000	*
Hospital covered payroll	\$ 15,051,000	\$ 13,791,000	\$ 12,868,000	\$ 12,405,000	\$ 12,200,000	\$ 12,481,000	\$ 12,515,000	\$ 11,789,000	\$ 12,692,000	*
Hospital proportionate share of the net pension liability as a percentage of its covered payroll	183.9%	58.8%	103.1%	135.5%	195.4%	114.7%	166.4%	134.9%	92.6%	*
Hospital proportionate share of the net pension asset as a percentage of its covered payroll	0.8%	1.3%	1.0%	1.1%	0.5%	0.9%	0.4%	0.4%	0.3%	*
Plan fiduciary net position as a percentage of the total pension liability	76.1%	93.0%	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%	*
Schedule of Hospital Contributions (rounded to the nearest 1,000)										
Contractually required contribution	\$ 2,371,000	\$ 2,094,000	\$ 1,923,000	\$ 1,795,000	\$ 1,730,000	\$ 1,708,000	\$ 1,623,000	\$ 1,502,000	\$ 1,415,000	\$ 1,523,000
Contributions in relation to the contractually required contribution	\$ 2,371,000	\$ 2,094,000	\$ 1,923,000	\$ 1,795,000	\$ 1,730,000	\$ 1,708,000	\$ 1,623,000	\$ 1,502,000	\$ 1,415,000	\$ 1,523,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,066,000	\$ 15,051,000	\$ 13,791,000	\$ 12,868,000	\$ 12,405,000	\$ 12,200,000	\$ 12,481,000	\$ 12,515,000	\$ 11,789,000	\$ 12,692,000
Contributions as a percentage of covered payroll	13.89%	13.91%	13.94%	13.95%	13.95%	14.00%	13.00%	12.00%	12.00%	12.00%

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

*: This information was not available prior to 2015.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT BENEFIT ASSETS, LIABILITIES, AND
CONTRIBUTIONS (UNAUDITED)

DECEMBER 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, AND 2014

Schedule of Proportionate Share of the Net OPEB Asset/Liability
(rounded to the nearest 1,000)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital proportion of the collective net OPEB liability	0.09043%	0.00000%	0.00000%	0.08211%	0.08411%	0.08932%	*	*	*	*
Hospital proportionate share of the net OPEB liability	\$ 570,166	\$ -	\$ -	\$ 11,342,000	\$ 10,966,000	\$ 9,699,000	*	*	*	*
Hospital proportion of the collective net OPEB asset	0.00000%	0.08927%	0.08592%	0.00000%	0.00000%	0.00000%	*	*	*	*
Hospital proportionate share of the net OPEB asset	\$ -	\$ 2,796,000	\$ 1,531,000	\$ -	\$ -	\$ -	*	*	*	*
Hospital covered payroll	\$ 15,051,000	\$ 13,791,000	\$ 12,868,000	\$ 12,405,000	\$ 12,200,000	\$ 12,481,000	\$ 12,515,000	\$ 11,789,000	\$ 12,692,000	*
Hospital proportionate share of the net OPEB liability as a percentage of its covered payroll	3.8%	0.0%	0.0%	91.4%	89.9%	77.7%	*	*	*	*
Hospital proportionate share of the net OPEB asset as a percentage of its covered payroll	0.0%	20.3%	11.9%	0.0%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability/asset	94.8%	128.2%	115.6%	47.8%	46.3%	54.1%	*	*	*	*
Schedule of Hospital Contributions										
Contractually required OPEB contribution	\$ 19,000	\$ 13,000	\$ 7,000	\$ 7,000	\$ 6,000	\$ -	\$ 125,000	\$ 250,000	\$ 236,000	\$ 254,000
Contributions in relation to the contractually required contribution	\$ 19,000	\$ 13,000	\$ 7,000	\$ 7,000	\$ 6,000	\$ -	\$ 125,000	\$ 250,000	\$ 236,000	\$ 254,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,066,000	\$ 15,051,000	\$ 13,791,000	\$ 12,868,000	\$ 12,405,000	\$ 12,200,000	\$ 12,481,000	\$ 12,515,000	\$ 11,789,000	\$ 12,692,000
Contributions as a percentage of covered payroll	0.11%	0.09%	0.06%	0.05%	0.05%	0.00%	1.00%	2.00%	2.00%	2.00%

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

*: This information was not available prior to 2018.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Defined Benefit Pension Plans

Changes of Benefit Terms

Amounts reported in 2015 for the Ohio Public Employees Retirement System (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 2021, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period 2016 through 2020, 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 and subsequently. Amounts reported in the Hospital's 2023 fiscal year for the OPERS plans reflect the following change of assumptions for the amounts reported in the 2020 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return remained consistent at 6.9%.
- Projected salary decreased to 2.75% to 10.75% for the Traditional Pension Plan and at 2.75% to 8.25% for the Combined Plan.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions

Amounts reported in 2023 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2020:

- Actuarially assumed discount rate decreased from 6.90% to 5.22%.
- Health care cost trend rate changed from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2036.

**HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

Federal Grantor Pass-through Grantor Program / Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Health Resources and Services Administration Congressional Directives	93.493	Not applicable	\$ -	\$ 714,473
U.S. Department of Homeland Security Federal Emergency Management Agency Public Assistance Grant Program	97.036	Not applicable	-	49,362
			<u>\$ -</u>	<u>\$ 763,835</u>

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2023, includes the federal grant activity that Hocking Valley Community Hospital (the Hospital) received and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

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

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

During 2023, the Hospital did not receive donated personnel protective equipment from federal sources.



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

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the discretely presented component unit of Hocking Valley Community Hospital (the "Hospital"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated May 29, 2024.

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 opinions 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 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 with those charged with governance.

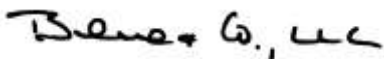
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 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
May 29, 2024



Blue & Co., LLC / 9200 Worthington Road, Suite 200 / Westerville, OH 43082
main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com

**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**

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hocking Valley Community Hospital's (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2023. The Hospital's major federal program is 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 that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

The Hospital's 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 it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with GAAS, *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.

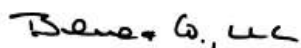
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 a material weakness, 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
May 29, 2024

HOCKING VALLEY COMMUNITY HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditor’s Results

Combined Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

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

Noncompliance material to financial statements noted? yes none reported

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.493	Congressional Directives

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

Auditee qualified as low-risk auditee? yes no

HOCKING VALLEY COMMUNITY HOSPITAL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

**Section II - Findings related to combined 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



HOCKING VALLEY COMMUNITY HOSPITAL

HOCKING 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 7/25/2024

65 East State 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