

**MERCER COUNTY JOINT TOWNSHIP
COMMUNITY HOSPITAL
(MERCER COUNTY)**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Governors
Mercer County Joint Township Community Hospital
800 West Main Street
Coldwater, Ohio 45828

We have reviewed the *Report of Independent Auditors* of the Mercer County Joint Township Community Hospital, Mercer County, prepared by Blue & Co., LLC, for the audit period April 1, 2019 through March 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mercer County Joint Township 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

November 05, 2021

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MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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REPORT OF INDEPENDENT AUDITORS

Board of Governors
Mercer County Joint Township Community Hospital
800 West Main Street
Coldwater, Ohio 45828

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities and the discretely presented component unit of Mercer County Joint Township Community Hospital (the Organization) as of and for the years ended March 31, 2021 and 2020, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Governors
Mercer County Joint Township Community Hospital
Coldwater, OH

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Organization as of March 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and the Required Supplemental Information on Government Accounting Standards Board (GASB) No. 68 Pension Assets, Liabilities and Contributions and GASB No. 75 Other Postemployment Benefit Assets, Liabilities and Contributions as listed in the table of contents, to supplement the basic consolidated financial statements. Although this information is not part of the basic consolidated financial statements, the GASB considers it essential for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

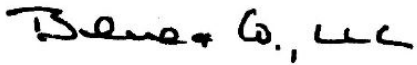
Supplementary Information

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

To the Board of Governors
Mercer County Joint Township Community Hospital
Coldwater, OH

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Westerville, Ohio
September 24, 2021

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Management's Discussion and Analysis

The discussion and analysis of the Mercer County Joint Township Community Hospital (the Organization) consolidated financial statements provides an overview of the Organization's financial activities for the years ended March 31, 2021, 2020, and 2019. The consolidated financial statements reflect consolidated information for the Mercer County Joint Township Community Hospital (the Hospital) and the Medical Educational Development Foundation Physicians Corporation (MEDF) and does not include the Medical, Educational and Development Foundation (Foundation) activity. Management is responsible for the completeness and fairness of the consolidated financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

The Organization's total assets and deferrals increased by \$18,792,685 and total liabilities and deferrals decreased by \$12,396,195 during the year ended March 31, 2021. Net position increased \$31,188,880 in fiscal year 2021. The increase in net position was related to the following factors:

- Net patient service revenue increased by \$8,833,608 or 12.1%. This increase is attributable to changes in patient volumes, rate increases and lower deductions from revenue.
- There was a decrease in expense associated with the Ohio Public Employees Retirement System (OPERS) pension and other postretirement employee benefits (OPEB) plans of \$20,020,401. In 2020, there was \$6,183,289 in pension and OPEB expense relating to these plans. In 2021, there was a net benefit of \$13,837,112 relating to these plans.
- Non-operating gains increased by \$6,041,793 which is due to stimulus funding received in 2021 relating to the COVID-19 pandemic. During 2021, MEDF received a \$1,298,732 loan through the Paycheck Protection Program (PPP) which was subsequently forgiven during the fiscal year by the Small Business Association (SBA). In 2021, the Organization also received and recognized in non-operating income other stimulus funds totaling approximately \$8,222,000.

Government Accounting Standards Board (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 Organization's consolidated 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 Organization is required to recognize their proportionate share of the OPERS pension and OPEB unfunded liabilities within the consolidated financial statements. A proportionate share of the net pension liabilities of OPERS and OPEB has been allocated to the Organization, based on retirement plan contributions for Organization employees. The cumulative impact of adopting GASB Statement No. 68 and GASB Statement No. 75 has been a \$31,205,585 reduction in the Organization's net position through March 31, 2021.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

These standards fundamentally change the future accounting and financial reporting requirements for public pensions. The standards require each public employer to account for a portion of its public pension plan's unfunded liabilities on their balance sheets. As part of this accounting recognition, there will be operating income/loss impacts into the future. However, since the impact is dependent upon the 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 Organization continues to contribute 14% annually to the pension and OPEB. This is the same percentage contributed prior to the adoption of these standards.

The chart below summarizes our 2021 activity with and without the impact of GASB Statements 68 and 75.

	Presentation in accordance with Generally Accepted Accounting Principles	Impact w/o GASB 68 & 75
Operating results		
Change in net position	\$ 31,188,880	\$ 14,336,988
Net position		
Assets and deferrals	\$ 87,302,339	\$ 80,511,416
Liabilities and deferrals	66,962,696	28,966,188
Net position	20,339,643	51,545,228
Total liabilities and net position	\$ 87,302,339	\$ 80,511,416

Using This Annual Report

The Organization's consolidated financial statements consist of three statements—a consolidated Balance Sheet; a consolidated Statement of Operations and Changes in Net Position; and a consolidated Statement of Cash Flows. These consolidated financial statements and related notes provide information about the activities of the Organization, including resources held by the Organization but restricted for specific purposes.

The Consolidated Balance Sheet and Consolidated Statement of Operations and Changes in Net Position

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

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

These two statements report the Organization's net position and changes in them. You can think of the Organization's net position - the difference between assets and liabilities - as one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Organization'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 Organization'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 Organization.

The Organization's Net Position

For the year ended March 31, 2021, the Organization's revenues exceeded expenses and other support creating an increase in net position of \$31,188,880 compared to a \$3,714,076 increase in the previous year. The significant increase in net position for 2021 was primarily driven by an increase of \$8,833,608 in net patient service revenue, a decrease in employee benefits expense of \$18,848,763 and an increase in non-operating gains of \$6,041,793.

Condensed Financial Information

The following is a comparative analysis of the major components of the consolidated balance sheets of the Organization as of March 31, 2021, 2020 and 2019:

	March 31		
	2021	2020	2019
Assets:			
Current assets	\$ 34,738,387	\$ 15,794,523	\$ 15,160,696
Noncurrent assets	9,293,242	6,559,658	3,474,520
Capital assets, net	39,118,931	40,170,894	41,886,975
Deferred outflows of resources			
Interest rate swap	278,319	898,792	-
Pension	1,971,266	2,190,203	9,246,217
Other post-employment benefits	1,902,194	2,895,584	1,379,558
	<u>\$ 87,302,339</u>	<u>\$ 68,509,654</u>	<u>\$ 71,147,966</u>
Liabilities:			
Current liabilities	\$ 9,268,245	\$ 7,303,567	\$ 10,729,633
Long-term liabilities	40,651,457	63,096,232	73,773,812
Deferred inflows of resources			
Interest rate swap	-	-	319,139
Pension	9,322,928	6,114,049	780,637
Other post-employment benefits	7,720,066	2,845,043	108,058
	<u>\$ 66,962,696</u>	<u>\$ 79,358,891</u>	<u>\$ 85,711,279</u>
Net position:			
Invested in capital assets - net of related debt	\$ 23,219,543	\$ 23,297,160	\$ 23,578,337
Restricted - nonexpendable permanent endowments	25,000	25,000	25,000
Unrestricted	<u>(2,904,900)</u>	<u>(34,171,397)</u>	<u>(38,166,650)</u>
	<u>\$ 20,339,643</u>	<u>\$ (10,849,237)</u>	<u>\$ (14,563,313)</u>

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

During 2021, current assets increased \$18,943,864 or 120%, driven primarily by an increase in cash. Cash increased due to receiving the COVID-19 related stimulus funding authorized under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, including \$5,110,338 in Medicare advances, \$7,044,676 in Provider Relief Funds, and \$1,026,414 in Coronavirus Relief Funds. Noncurrent assets increased \$2,733,584 primarily driven by an increase of \$2,495,584 in the OPEB asset, which changed from a liability of \$18,251,829 in 2020 to an asset of \$2,495,584 in 2021. Capital assets decreased \$1,051,963 during 2021 primarily due to the west wing expansion project in the prior year seeing a full year of depreciation with few new asset additions. Deferred outflows decreased \$1,832,800 due to amortization of prior year deferred outflows exceeding new deferred outflows. Current liabilities increased \$1,964,678 primarily due to the Medicare advances. Long-term liabilities and deferrals decreased \$14,360,873 primarily due to a decrease in the net pension and net OPEB liabilities.

Operating Results and Changes in the Organization's Net Position

	2021	2020	2019
Operating revenue			
Net patient service revenue	\$ 82,136,527	\$ 73,302,919	\$ 65,657,734
Other operating revenue	<u>2,240,782</u>	<u>1,274,976</u>	<u>1,370,477</u>
Total operating revenues	<u>84,377,309</u>	<u>74,577,895</u>	<u>67,028,211</u>
Operating expenses			
Salaries and wages	29,918,550	26,915,097	26,160,426
Employee benefits	(6,093,237) (&)	12,755,526 (^)	19,507,425 (#)
Supplies	10,083,046	9,093,471	7,778,728
Professional fees	11,753,533	11,058,323	10,019,532
Purchased services	1,897,785	2,068,070	1,656,585
Insurance	1,131,819	409,689	405,016
Depreciation and amortization	3,235,743	3,421,248	3,075,290
Franchise fee	1,266,457	867,788	722,255
Other operating expenses	<u>9,608,833</u>	<u>7,846,914</u>	<u>7,503,191</u>
Total operating expenses	<u>62,802,529</u>	<u>74,436,126</u>	<u>76,828,448</u>
Operating gain (loss)	21,574,780	141,769	(9,800,237)
Nonoperating gains (losses)			
Interest expense	(513,351)	(611,777)	(375,267)
Other gains	<u>10,127,451</u>	<u>4,184,084</u>	<u>724,066</u>
Total nonoperating gains	<u>9,614,100</u>	<u>3,572,307</u>	<u>348,799</u>
Change in net position	31,188,880	3,714,076	(9,451,438)
Net position, beginning of year	(10,849,237)	(14,563,313)	9,621,974
Cumulative effect of accounting change	-	-	(14,733,849)
Net position, end of year	<u>\$ 20,339,643</u>	<u>\$ (10,849,237)</u>	<u>\$ (14,563,313)</u>

(&) 2021 employee benefits expense includes a benefit from GASB No. 68 of \$1,972,892 and a benefit from GASB No. 75 of \$14,879,000

(^) 2020 employee benefits expense includes an expense relating to GASB No. 68 of \$1,489,809 and an expense relating to GASB No. 75 of \$1,881,753

(#) 2019 employee benefits expense includes an expense relating to GASB No. 68 of \$5,491,094 and an expense relating to GASB No. 75 of \$1,585,687

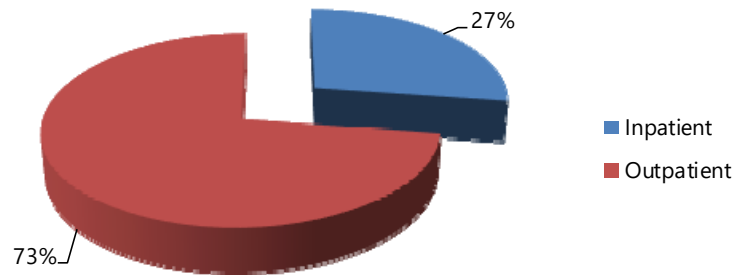
**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are not to be utilized for long-term purposes.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$8,833,608 or 12.1%, in 2021. This was attributable to changes in patient volumes, rate increases, and lower deductions from revenue. Gross patient revenue is reduced by revenue deductions in determining net patient revenue. These deductions include amounts not paid to the Organization under contractual arrangements primarily with Medicare, Medicaid, and commercial payors as well as amounts related to self-pay patients that qualify for charity write-offs based on pre-established financial need criteria and bad debts. These revenue deductions decreased from 2020 to 2021 from 48.1% to 44.3% of gross revenue.
- The following is a graphic illustration of patient revenues by source:



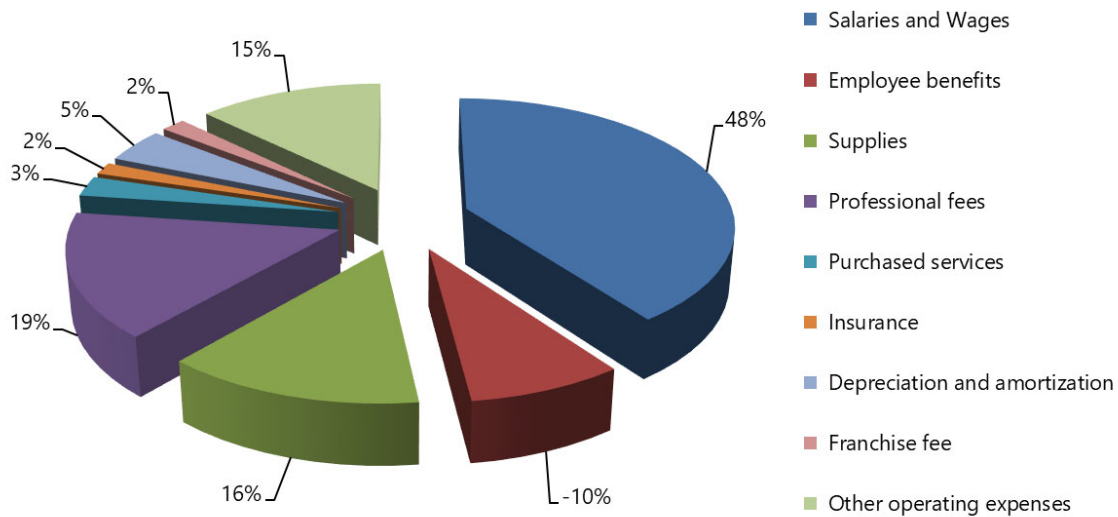
**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Organization. The significant operating expense changes from 2020 to 2021 were the result of the following factors:

- Salaries and wages expense increased \$3,003,453, or 11.2%, primarily as a result of an increase in full time equivalents and a pay rate increase of 2.5% in 2021.
- Employee benefits expense decreased \$18,848,763, or 147.8%. This decrease is attributable to a decrease in the OPERS pension and OPEB plan expenses of \$20,020,401.
- Supplies expense increased \$989,575, or 10.9%, primarily due to increased patient volumes during 2021 compared to 2020.
- Insurance expense increased by \$722,130, or 176% due to a change from a claims made malpractice insurance policy to an occurrence based malpractice insurance policy.
- Other operating expenses increased \$1,761,919 or 22.5%, primarily due to expenses related directly to COVID-19.

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



Non-operating Gains (Losses)

Non-operating gains (losses) are all sources and uses that are primarily non-exchange in nature. They consist primarily of stimulus funding associated with COVID-19, interest expense, joint venture gains and losses, contributions, and interest income. Non-operating gains increased by \$6,041,793 primarily due to the stimulus funding received associated with COVID-19.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Consolidated Statement 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 its obligations as they come due
- Its needs for external financing

	Year Ended March 31		
	2021	2020	2019
Cash provided by (used in):			
Operating activities	\$ 11,255,681	\$ 3,999,227	\$ 2,848,621
Non-capital and related financing activities	10,005,005	4,157,325	669,144
Investing activities	136,927	43,224	58,887
Capital and related financing activities	(3,702,976)	(3,778,002)	(13,129,047)
 Total	 17,694,637	 4,421,774	 (9,552,395)
 Cash and cash equivalents - beginning of year	 8,026,279	 3,604,505	 13,156,900
 Cash and cash equivalents - end of year	 \$ 25,720,916	 \$ 8,026,279	 \$ 3,604,505

Capital Asset and Debt Administration

Capital Assets

At March 31, 2021, the Organization had a total investment of \$82,497,565 in gross capital assets and accumulated depreciation totaled \$43,378,634, resulting in a net carrying value of \$39,118,931. Depreciation and amortization expense for 2021 was \$3,235,743 compared to \$3,421,248 for 2020.

Debt

At March 31, 2021, the Organization had \$15,899,388 in long-term debt outstanding compared to \$16,873,734 at March 31, 2020. In April 2020, MEDF received a loan under the PPP of \$1,298,732. In December 2020, this loan was forgiven in fully by the SBA. The Organization continues to pay down its debt obligations as prescribed in the debt schedules. More detailed information about the Organization's long-term liabilities is presented in the notes to the consolidated financial statements.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Economic Factors that Will Affect the Future

Strategic Planning

The fiscal year end March 31, 2022 budget includes expenses, as well as planned capital purchases, aimed at continuing to meet the mission of the Organization and ensure long-term sustainability for the communities we serve. This budget also takes into account many factors in determining what the Organization's "new normal" is in the aftermath of COVID-19.

The Organization is well positioned financially and, in the market, to continue to build upon being the Provider of Choice for our community. The capital budget for fiscal year ending March 31, 2022, will include projects that are designed to layout the next phase of strategic growth and prioritization. In step with the previous fiscal budget, the fiscal budget for year end March 31, 2022, is focused on six initiatives: 1) building team, integration, and shared responsibility; 2) healthy community; 3) planning for strategic growth; 4) investing in quality and strengthening our product; 5) patient experience and loyalty; and 6) staying committed to financial sustainability.

Healthcare Trends & Legislation Impact

Predicting what the healthcare landscape will look like after coming off, arguably the most difficult year many health systems have faced, is a challenging task. COVID-19 has challenged organizations and providers in ways that were previously unimaginable. However, one thing that is constant in the healthcare industry is change and increased regulation. This trend is likely to continue. While widespread changes to the healthcare industry are not known at this time, it's common for a new administration to make changes to healthcare policy and we expect President Biden to do the same.

CMS' Hospital Price Transparency went into effect on January 1, 2021. The rule requires hospitals to post their "standard charges" online in machine-readable file. In addition, the rule requires hospitals to post payer-specific negotiated rates online in a searchable manner for 300 services that patients are likely to shop around for. The rule also requires health insurance companies and group health plans that cover employees to disclose on a public website their negotiated rates for in-network providers and allowed amounts paid for out-of-network providers. It remains to be seen if this information will truly allow healthcare consumers to shop for services.

Reimbursement pressure has continued to require a close collaboration between health systems and payers. The shift from fee-for-service reimbursement to value-based payment models will continue in 2021, including the trend for healthcare providers and third-party vendors operating in the healthcare space to assume some of the financial risk along with the health insurer. Because payments in these models are contingent on the provider meeting certain metrics, it is important that those metrics are within the provider's control.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Cybersecurity is increasingly becoming a real concern for healthcare systems across the county as organizations are continuing to see a rise in the number of cyberattacks. Records maintained within the healthcare industry are valuable due to the vast amount of information contained in a patient's health record. As an Organization, we have seen the market for cyber insurance begin to harden.

Virtual Care was around long before COVID-19; however, never before has it been viewed as a potential long-term fit for providing healthcare services to people as it is today. A true success story resulting from COVID-19, virtual care was able to provide access to people whom otherwise might not have had it. Healthcare systems across the country are keeping an eye on payer's response to the shift to virtual visits. This ultimately will determine how health systems decide to strategize their virtual care programs.

Future Financial Overview

The 2021-2022 operating budget for the Hospital (including the MEDF operations) provides a budgeted net profit of \$1,381,740. This budget reflects a conservative approach to organizational growth due to the uncertainties that COVID-19 continues to have on healthcare systems. As always, this budget will prove to be challenging as we look to continue the strong financial performance of fiscal year 2021 despite challenging market and economic conditions. However, the goals of the budget are attainable given every employee's commitment to providing excellent care to our community while committing to a continued focus on monitoring the costs of the Hospital.

Specific goals for the Current Fiscal Year will focus on:

1. Achieve an operating margin as indicated in the fiscal year end March 31, 2022 budget
2. Improve key financial ratios
3. Manage capital budget dollars of \$3,700,000, including long-term strategic projects
4. Realign financial performance and expectations with the impact from COVID-19
5. Provide for heightened levels of cost monitoring throughout the Organization
6. Manage overtime and employee levels within each department

Contacting the Organization's Management

This financial report is intended to provide the reader with a general overview of the Organization's finances. If you have questions about this report or need additional information, we welcome you to contact the Chief Financial Officer and Chief Operating Officer, Jon Dingledine, at 800 W. Main Street, Coldwater, Ohio 45828.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021 AND 2020

	ASSETS			
	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2021	2020	2021	2020
Current assets				
Cash and cash equivalents	\$ 20,992,473	\$ 3,547,629	\$ 133,787	\$ 260,936
Patient accounts receivable, net of uncollectible accounts of \$3,150,769 in 2021 and \$3,510,089 in 2020	11,154,628	9,090,723	-	-
Other receivables	354,512	1,223,372	-	-
Pledge receivables, net	-	-	155,825	439,167
Inventories	1,770,524	1,624,387	-	-
Investments	-	-	198,328	191,804
Prepaid expenses and other current assets	466,250	308,412	-	-
Total current assets	34,738,387	15,794,523	487,940	891,907
Noncurrent assets				
Assets whose use is limited	4,728,443	4,478,650	56,855	54,573
Other receivables	107,065	249,143	-	-
Net pension asset	421,879	319,245	-	-
Net other post-employment benefit asset	2,495,584	-	-	-
Other assets	1,540,271	1,512,620	-	-
Total noncurrent assets	9,293,242	6,559,658	56,855	54,573
Capital assets, net	39,118,931	40,170,894	-	-
Deferred outflow of resources				
Interest rate swap	278,319	898,792	-	-
Pension	1,971,266	2,190,203	-	-
Other post-employment benefits	1,902,194	2,895,584	-	-
Total outflows of resources	4,151,779	5,984,579	-	-
 Total assets and deferrals	 \$ 87,302,339	 \$ 68,509,654	 \$ 544,795	 \$ 946,480

See accompanying notes to consolidated financial statements.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021 AND 2020

LIABILITIES AND NET POSITION

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2021	2020	2021	2020
Current liabilities				
Accounts payable	\$ 1,798,224	\$ 2,378,257	\$ -	\$ 140,366
Accrued expenses	3,040,722	3,280,293	-	-
Estimated amounts due to third party payors	281,578	194,956	-	-
Current portion of deferred revenue	2,478,374	-	-	-
Current portion of long-term debt	1,669,347	1,450,061	-	-
Total current liabilities	<u>9,268,245</u>	<u>7,303,567</u>	<u>-</u>	<u>140,366</u>
Long-term liabilities				
Compensated absences	2,557,619	2,270,350	-	-
Interest rate swap liability	278,319	898,792	-	-
Long-term portion of deferred revenue	2,631,964	-	-	-
Net pension liability	20,953,514	26,251,588	-	-
Net other post-employment benefit liability	-	18,251,829	-	-
Long-term debt, net of current portion	14,230,041	15,423,673	-	-
Total long-term liabilities	<u>40,651,457</u>	<u>63,096,232</u>	<u>-</u>	<u>-</u>
Deferred inflow of resources				
Pension	9,322,928	6,114,049	-	-
Other post-employment benefits	7,720,066	2,845,043	-	-
Total deferred inflow of resources	<u>17,042,994</u>	<u>8,959,092</u>	<u>-</u>	<u>-</u>
Total liabilities and deferrals	66,962,696	79,358,891	-	140,366
Net position				
Invested in capital assets - net of related debt	23,219,543	23,297,160	-	-
Restricted for:				
Nonexpendable:				
Endowments	25,000	25,000	-	-
Expendable:				
Restricted based on donor's intent	-	-	56,855	54,573
Time restricted	-	-	155,825	439,167
Unrestricted	(2,904,900)	(34,171,397)	332,115	312,374
Total net position	<u>20,339,643</u>	<u>(10,849,237)</u>	<u>544,795</u>	<u>806,114</u>
Total liabilities, deferrals and net position	<u>\$ 87,302,339</u>	<u>\$ 68,509,654</u>	<u>\$ 544,795</u>	<u>\$ 946,480</u>

See accompanying notes to consolidated financial statements.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED MARCH 31, 2021 AND 2020

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2021	2020	2021	2020
Operating revenue				
Net patient service revenue	\$ 82,136,527	\$ 73,302,919	\$ -	\$ -
Other operating revenue	2,240,782	1,274,976	153,879	195,233
Total operating revenues	84,377,309	74,577,895	153,879	195,233
Operating expenses				
Salaries and wages	29,918,550	26,915,097	-	-
Employee benefits	(6,093,237)	12,755,526	-	-
Supplies	10,083,046	9,093,471	-	-
Professional fees	11,753,533	11,058,323	-	-
Purchased services	1,897,785	2,068,070	-	-
Insurance	1,131,819	409,689	-	-
Depreciation and amortization	3,235,743	3,421,248	-	-
Franchise fee	1,266,457	867,788	-	-
Other operating expenses	9,608,833	7,846,914	14,583	11,202
Donation expense	-	-	404,083	4,219,866
Total operating expenses	62,802,529	74,436,126	418,666	4,231,068
Operating gain (loss)	21,574,780	141,769	(264,787)	(4,035,835)
Nonoperating gains (losses)				
Interest expense	(513,351)	(611,777)	-	-
Other gains (losses)	10,127,451	4,184,084	3,468	(24,708)
Total nonoperating gains (losses)	9,614,100	3,572,307	3,468	(24,708)
Change in net position	31,188,880	3,714,076	(261,319)	(4,060,543)
Net position, beginning of year	(10,849,237)	(14,563,313)	806,114	4,866,657
Net position, end of year	\$ 20,339,643	\$ (10,849,237)	\$ 544,795	\$ 806,114

See accompanying notes to consolidated financial statements.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2021 AND 2020

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2021	2020	2021	2020
Cash flows from operating activities				
Cash received from patients and third-party payors	\$ 85,269,582	\$ 73,685,007	\$ -	\$ -
Cash payments to suppliers for services and goods	(35,642,194)	(33,963,258)	-	-
Cash payments to employees and related benefits	(40,612,489)	(36,997,498)	(567,838)	(347,363)
Other operating revenue	2,240,782	1,274,976	437,221	575,225
Net cash flows from operating activities	<u>11,255,681</u>	<u>3,999,227</u>	<u>(130,617)</u>	<u>227,862</u>
Cash flows from non-capital and related financing activities				
Other non-operating	10,005,005	4,157,325	-	-
Paycheck Protection Program loan	1,298,732	-	-	-
Forgiveness of paycheck protection program loan	(1,298,732)	-	-	-
Net cash flows from non-capital and related financing activities	<u>10,005,005</u>	<u>4,157,325</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Purchases of investments	(2,703,714)	(4,095,260)	-	-
Proceeds from sale of investments	2,703,714	4,095,260	-	-
Investment earnings	136,927	43,224	3,468	(24,708)
Net cash flows from investing activities	<u>136,927</u>	<u>43,224</u>	<u>3,468</u>	<u>(24,708)</u>
Cash flows from capital and related financing activities				
Payments on long-term debt	(974,346)	(1,434,904)	-	-
Interest paid	(530,369)	(621,466)	-	-
Acquisition of capital assets	(2,198,261)	(1,721,632)	-	-
Net cash flows from capital and related financing activities	<u>(3,702,976)</u>	<u>(3,778,002)</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	17,694,637	4,421,774	(127,149)	203,154
Cash and cash equivalents, beginning of year	8,026,279	3,604,505	260,936	57,782
Cash and cash equivalents, end of year	<u>\$ 25,720,916</u>	<u>\$ 8,026,279</u>	<u>\$ 133,787</u>	<u>\$ 260,936</u>
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	\$ 20,992,473	\$ 3,547,629	\$ 133,787	\$ 260,936
Assets whose use is limited	4,728,443	4,478,650	-	-
Total cash and cash equivalents	<u>\$ 25,720,916</u>	<u>\$ 8,026,279</u>	<u>\$ 133,787</u>	<u>\$ 260,936</u>

See accompanying notes to consolidated financial statements.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2021 AND 2020

	Mercer County Joint Township Community Hospital		Medical, Educational, and Development Foundation	
	2021	2020	2021	2020
Cash flows from operating activities				
Operating gain (loss)	\$ 21,574,780	\$ 141,769	\$ (264,787)	\$ (4,035,835)
Adjustments to reconcile operating gain (loss) to net cash from operating activities:				
Depreciation and amortization	3,235,743	3,421,248	-	-
Provision for bad debts	3,415,115	3,687,409	(32,692)	(19,985)
Pension expense (GASB 68)	(1,972,892)	1,489,809	-	-
Other post-employment benefit expense (GASB 75)	(14,879,000)	1,881,754	-	-
Changes in assets and liabilities				
Patient accounts receivable	(5,479,020)	(3,332,761)	-	-
Other receivables	1,010,938	605,906	316,034	399,977
Inventories	(146,137)	(154,064)	-	-
Prepaid expenses and other current assets	(157,838)	(53,638)	-	27,732
Other assets	(27,651)	(240,765)	(8,806)	3,715,607
Accounts payable	(580,033)	(2,776,442)	(140,366)	140,366
Deferred revenue	5,110,338	-	-	-
Accrued expenses	(222,553)	(685,034)	-	-
Estimated third-party settlements	86,622	27,440	-	-
Compensated absences	287,269	(13,404)	-	-
Net cash flow from operating activities	<u>\$ 11,255,681</u>	<u>\$ 3,999,227</u>	<u>\$ (130,617)</u>	<u>\$ 227,862</u>

See accompanying notes to consolidated financial statements.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity/Basis of Consolidation

Mercer County Joint Township Community Hospital (the Hospital) is a 76-bed facility, located in Mercer County, Ohio and operates currently under the direction of a fourteen member Board of Governors pursuant to the authority of the Joint Township Hospital Board of Trustees with representatives from Butler, Center, Franklin, Gibson, Granville, Marion, Recovery, Washington, Jefferson, Hopewell, Union and Dublin Townships. The Hospital provides healthcare services to the residents of Mercer County, Ohio and the surrounding area. The Hospital is operated under the provisions of the Ohio Revised Code.

The consolidated financial statements include the accounts of the Hospital and the Medical and Educational Development Foundation Physicians Corporation (MEDF). MEDF is a not for profit, non-governmental entity that manages physician practices. The Hospital is deemed to have control over MEDF. The financial statements of MEDF have been consolidated with the Hospital's financial statements (collectively, the Organization). All material intercompany balances and transactions have been eliminated in the consolidation.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Medical, Educational and Development Foundation (the Foundation) is included as a discretely presented component unit in a separate column in the Organization's consolidated financial statements to emphasize that it is legally separate from the Organization. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Organization in support of its programs. Although the Organization 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 Organization. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Organization, it is considered a component unit of the Organization. The Foundation is a private nonprofit organization that reports under generally accepted accounting principles set forth by Financial Accounting Standards Board (FASB) standards.

Basis of Presentation

The consolidated 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 Organization follows the "business-type" activities reporting requirements of GASB Statement No. 34.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments purchased with initial maturities of three months or less.

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 net realizable value.

Assets Whose Use is Limited

Assets whose use is limited consist of funds restricted in connection with the Organization's revenue bonds for the replacement, improvement, and expansion of facilities. Assets whose use is limited also includes cash and cash equivalents set aside by the Board of Governors for future capital improvements and debt repayment, over which the Board of Governors retains control and may at its discretion subsequently use for other purposes. The Foundation's assets whose use is limited funds include amounts restricted based on donor's intent. Permanent endowments are also included in assets whose use is limited, of which the interest is restricted for operations and capital improvements. Investment income is included in nonoperating gains (losses).

Other Receivables

Other receivables include miscellaneous amounts due to the Organization including certain payments on behalf of physicians under various agreements and stop-loss claim receivables. These advances are unsecured and are forgiven systematically in accordance with the agreements. Amounts to be forgiven within the next twelve months are classified as current receivables. Long-term receivables include those amounts to be forgiven more than twelve months from the balance sheet date. Should the arrangement between the Organization and the physician be terminated prior to the end date agreed upon by both parties, the Organization will pursue collection of any outstanding advances.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

Pledge Receivables

Pledge receivables consist of amounts that have been unconditionally promised to the Foundation. Pledges receivable that are expected to be collected in less than one year are reported at fair value. Pledges receivable that are expected to be collected in more than one year are recorded at the net realizable value at the date of promise. The net realizable value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional pledge income. Management estimates an allowance for uncollectible pledge receivables based on current economic conditions, historical trends, and current and past experience with their donor base. The allowance for uncollectible pledges as of March 31, 2021 and 2020 was \$17,454 and \$45,413, respectively.

Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. Depreciation is computed by the straight-line method over the estimated useful lives of the assets ranging from 2 to 30 years. Costs of the maintenance and repairs are charged to expense when incurred.

Enterprise Fund Accounting

The Organization uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Compensated Absences

Paid time off is charged to operations when earned. The earned and unused benefits are recorded as a liability in the consolidated financial statements. Employees accumulate vacation days and sick leave benefits at varying rates depending on years of service. Payment of accrued vacation days and accrued sick leave is based on the employee's rate of pay at the time of termination. Upon termination the maximum payout shall not exceed 240 hours for vacation time and 260 hours for sick leave.

Patient Accounts Receivable and Net Patient Service Revenue

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

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

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

Restricted Resources

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

Net Position

Net position of the Organization is classified in five components. Net position invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted nonexpendable net position equal the principal portion of a permanent endowment received in 2006 for which the income is restricted for operations and capital improvements. Restricted net position based on donor's intent is the restricted net position relating to assets donated for a specific purpose. Restricted net position based on time restrictions is the restricted net position relating to the Foundation pledge receivables. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Gain (Loss) from Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses, other than financing costs which are reported as nonoperating activities based on GASB reporting requirements. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Charity Care

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

Of the Organization's total reported operating expenses (approximately \$62,803,000 and \$74,436,000 during 2021 and 2020, respectively), an estimated \$192,000 and \$332,000 arose from providing services to charity patients during 2021 and 2020, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Organization's total operating expenses divided by gross patient service revenue. The Organization 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 approximately \$605,000 and \$383,000 for 2021 and 2020, respectively, and are reported as net patient service revenue in the consolidated financial statements.

Federal Income Tax

As a political subdivision, the Organization is exempt from taxation under the Internal Revenue Code.

The Foundation is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made for this component unit in the consolidated financial statements.

The Foundation has filed its applicable federal and state income tax returns for periods through May 31, 2021. This income tax return is generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these entities and has concluded that as of March 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The entity is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Pension and Postemployment Benefits Other Than Pensions (OPEB)

Substantially all of the Organization's employees are eligible to participate in a defined benefit pension plan and postemployment retirement health plan sponsored by the Ohio Public Employees Retirement System (OPERS). The Organization funds pension costs accrued based on contribution rates determined by OPERS.

For purposes of measuring the net pension and OPEB assets, liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB expense, information about the net position of 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.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications had no effect on the change in net position.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued, which is September 24, 2021.

2. CHANGES IN ACCOUNTING PRINCIPLE

During 2021, the Organization implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires that additional essential information related to debt be disclosed in the notes to the consolidated financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Changes as a result of this adoption include a breakout of debt from general obligation bonds, capital leases, and direct borrowings. Additionally, we noted additional disclosures relating to provisions within the debt agreements for direct borrowings note payables in the event of default. See Note 9 for additional disclosures related to debt.

3. DEPOSITS AND INVESTMENTS

Cash deposits and assets whose use is limited of the Organization are composed of the following:

	2021		2020	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts	\$ 23,017,202	\$ 23,017,202	\$ 3,931,019	\$ 3,931,019
Certificates of deposit	2,703,714	2,703,714	4,095,260	4,095,260
Total	<u>\$ 25,720,916</u>	<u>\$ 25,720,916</u>	<u>\$ 8,026,279</u>	<u>\$ 8,026,279</u>
	2021		2020	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type-				
General funds:				
Cash	\$ 20,992,473	\$ 20,992,473	\$ 3,547,629	\$ 3,547,629
Assets whose use is limited	4,728,443	4,728,443	4,478,650	4,478,650
Total	<u>\$ 25,720,916</u>	<u>\$ 25,720,916</u>	<u>\$ 8,026,279</u>	<u>\$ 8,026,279</u>

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

Cash deposits and assets whose use is limited of the Foundation are composed for the following:

	2021		2020	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts	\$ 133,787	\$ 133,787	\$ 260,936	\$ 260,936
Certificates of deposit	255,183	255,183	246,377	246,377
Total	\$ 388,970	\$ 388,970	\$ 507,313	\$ 507,313

	2021		2020	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type-				
General funds:				
Cash	\$ 133,787	\$ 133,787	\$ 260,936	\$ 260,936
Investments	198,328	191,804	191,804	191,804
Assets whose use is limited	56,855	56,855	54,573	54,573
Total	\$ 388,970	\$ 382,446	\$ 507,313	\$ 507,313

Protection of the Organization's deposits is provided by the Federal Deposit Insurance Corporation, or by securities pledged by the financial institution to secure the repayment of all public funds deposited with the institution.

At March 31, 2021 and 2020, the Organization had \$25,689,737 and \$7,511,813, respectively, of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution.

The Organization had the following investments and maturities, all of which are held in the organizations name by a custodial bank that is an agent of the Organization.

	Carrying Amount	Maturities	
		< than one year	> than one year
March 31, 2021			
Certificates of deposit	\$ 2,703,714	\$ 2,703,714	\$ -

	Carrying Amount	Maturities	
		< than one year	> than one year
March 31, 2020			
Certificates of deposit	\$ 4,095,260	\$ 4,095,260	\$ -

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

The Foundation had the following investments and maturities, all of which are held in the Foundations name by a custodial bank that is an agent of the Foundation.

	Carrying Amount	Maturities	
		< than one year	> than one year
March 31, 2020			
Certificates of deposit	\$ 255,183	\$ 255,183	\$ -
	<u>255,183</u>	<u>255,183</u>	<u>-</u>
March 31, 2019			
Certificates of deposit	\$ 246,377	\$ 246,377	\$ -
	<u>246,377</u>	<u>246,377</u>	<u>-</u>

Interest rate risk – The Organization has a formal investment policy that limits investment maturities to within five years of settlement date as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – The Organization may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposit or savings or deposit accounts, including passbook accounts, in any eligible institution mentioned in the Ohio Revised Code, bonds and other obligations of the State of Ohio or the political subdivisions of the state provided that such political subdivisions are located wholly or partly within the same county; certain no load money market mutual funds; certain commercial paper; and certain repurchase agreements.

Concentration of credit risk – The Organization has an action plan whereby deposits and investments are diversified between several issuers. The Organization maintains its investments, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on investments.

4. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2021	2020
Gross patient accounts receivable	\$ 23,690,910	\$ 20,069,679
Less allowance for:		
Uncollectible accounts	(3,150,769)	(3,510,089)
Contractual adjustments	(9,385,513)	(7,468,867)
	<u>(12,536,282)</u>	<u>(10,978,956)</u>
Net patient accounts receivable	\$ 11,154,628	\$ 9,090,723

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

The mix of accounts receivable and gross revenues from patients and third-party payors in 2021 and 2020 follows:

	2021		2020	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	28%	45%	24%	44%
Medicaid	8%	12%	8%	10%
Self-pay	36%	2%	38%	3%
Commercial and other	28%	41%	30%	43%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

5. PLEDGE RECEIVABLES

Pledge receivables at March 31, 2021 and 2020 consists of the following:

	2021	2020
Due within one year	\$ 149,960	\$ 292,676
Due in one to five years	24,580	197,898
Total	<u>174,540</u>	<u>490,574</u>
Less		
Allowance for uncollectible pledges	(17,454)	(45,413)
Unamortized discount	(1,261)	(5,994)
	<u>(18,715)</u>	<u>(51,407)</u>
Total	<u>\$ 155,825</u>	<u>\$ 439,167</u>

Pledge receivables that extend beyond one year are discounted at 5% in 2021 and 2020.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021 was as follows:

	2020	Additions	Transfers	Retirements	2021
Land	\$ 89,300	\$ 109,016	\$ -	\$ -	\$ 198,316
Land improvements	145,473	-	-	-	145,473
Buildings and improvements	54,946,442	159,167	1,147	(982,770)	54,123,986
Equipment	26,585,241	868,696	319,279	(550,458)	27,222,758
Construction in process	66,076	1,061,382	(320,426)	-	807,032
Total capital assets	<u>81,832,532</u>	<u>2,198,261</u>	<u>-</u>	<u>(1,533,228)</u>	<u>82,497,565</u>
Less accumulated depreciation					
Land improvements	97,178	7,887	-	-	105,065
Buildings and improvements	23,824,206	1,364,283	-	(929,497)	24,258,992
Equipment	17,740,254	1,863,573	-	(589,250)	19,014,577
Total accumulated depreciation	<u>41,661,638</u>	<u>3,235,743</u>	<u>-</u>	<u>(1,518,747)</u>	<u>43,378,634</u>
Capital assets, net	<u>\$ 40,170,894</u>	<u>\$ (1,037,482)</u>	<u>\$ -</u>	<u>\$ (14,481)</u>	<u>\$ 39,118,931</u>

Capital asset activity for the year ended March 31, 2020 was as follows:

	2019	Additions	Transfers	Retirements	2020
Land	\$ 44,300	\$ 45,000.00	\$ -	\$ -	\$ 89,300
Land improvements	145,473	-	-	-	145,473
Buildings and improvements	54,227,584	729,668	-	(10,810)	54,946,442
Equipment	26,938,621	880,888	-	(1,234,268)	26,585,241
Construction in progress	-	66,076	-	-	66,076
Total capital assets	<u>81,355,978</u>	<u>1,721,632</u>	<u>-</u>	<u>(1,245,078)</u>	<u>81,832,532</u>
Less accumulated depreciation					
Land improvements	89,074	8,104	-	-	97,178
Buildings and improvements	22,465,165	1,369,851	-	(10,810)	23,824,206
Equipment	16,914,764	2,043,293	-	(1,217,803)	17,740,254
Total accumulated depreciation	<u>39,469,003</u>	<u>3,421,248</u>	<u>-</u>	<u>(1,228,613)</u>	<u>41,661,638</u>
Capital assets, net	<u>\$ 41,886,975</u>	<u>\$ (1,699,616)</u>	<u>\$ -</u>	<u>\$ (16,465)</u>	<u>\$ 40,170,894</u>

7. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

For 2021 and 2020, approximately 57% and 54%, respectively, of the Organization's revenues from patient services are received from the Medicare and Medicaid programs. The Organization has agreements with these payors that provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Organization's established rates for services and amounts reimbursed by third-party payors.

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Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements. Medicare cost reports have been settled through 2016. The Organization anticipates that settlements on open Medicaid cost reports will be insignificant.

Medicare

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

On December 2, 2019, the Organization was approved to be classified as a Medicare Dependent Hospital (MDH). The status became effective retroactive to June 5, 2019, allowing the Organization to qualify for increased reimbursement rates from the Department of Medicare.

Medicaid

Inpatient, acute-care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursement method. The Organization is reimbursed for outpatient services on an established fee-for-service methodology.

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

Commercial Payors

The Organization also has entered into managed care contracts with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, percent of established charges, and prospectively determined daily rates.

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8. OTHER ASSETS

The Organization is a member of the West Central Ohio Regional Healthcare Alliance, Ltd. (WCORHA) along with four other area hospitals. The Organization along with three other members of WCORHA assist in the daily operations of the Cancer Network of West Central Ohio ("Cancer Network"). In regards to the Cancer Network, the Organization maintains a 25% ownership which is accounted for on the equity method. The carrying amount of the Organization's equity interest in this entity is \$456,974 and \$479,313 at March 31, 2021 and 2020, respectively, and is included in other assets on the consolidated balance sheets. Losses from the Cancer Network included in nonoperating gain/(loss) were \$139,839 and \$11,561 in 2021 and 2020, respectively.

The Organization has entered into a joint venture agreement with Joint Township District Memorial Hospital with respect to the ownership and expansion of a medical office building. A nonprofit real estate holding company and a nonprofit management company were formed as a result of the joint venture. The Organization has a 50% ownership in each of these entities. The Organization accounts for its interest in these joint ventures on the equity method. The carrying amount of the Organization's equity interest in these entities was \$908,992 and \$817,307 at March 31, 2021 and 2020, respectively. These balances are included within other assets. During 2021 and 2020, the Organization recognized investment gain from these entities of \$91,685 and 98,110 respectively, which is included in nonoperating gains (losses).

9. LONG-TERM LIABILITIES

Long-term debt activity for the year ending March 31, 2021 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Direct placements:					
Series 2016 bond payable, bearing interest at 1.95%	\$ 6,072,540	\$ -	\$ (187,809)	\$ 5,884,731	\$ 329,877
Series 2017 bond payable, bearing interest at 1.95%	7,801,194	-	(186,537)	7,614,657	339,470
Direct borrowings:					
Note payable, bearing interest at 5.125%, due in quarterly principal installments of \$200,000 plus interest through October 2023	3,000,000	-	(600,000)	2,400,000	1,000,000
Paycheck Protection Program loan, bearing interest at 1%, forgiven in 2021	-	1,298,732	(1,298,732)	-	-
Total direct placements and direct borrowings	\$ 16,873,734	\$ 1,298,732	\$ (2,273,078)	\$ 15,899,388	\$ 1,669,347

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Long-term debt activity for the year ending March 31, 2020 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Direct placements:					
Series 2016 bond payable, bearing interest at 1.95%	\$ 6,380,026	\$ -	\$ (307,486)	\$ 6,072,540	\$ 318,666
Series 2017 bond payable, bearing interest at 1.95%	8,124,706	-	(323,512)	7,801,194	331,395
Direct borrowings:					
Note payable, bearing interest at 5.125%, due in quarterly principal installments of \$200,000 plus interest through September 2023	3,803,906	-	(803,906)	3,000,000	800,000
Total direct placements and direct borrowings	\$ 18,308,638	\$ -	\$ (1,434,904)	\$ 16,873,734	\$ 1,450,061

The bonds and notes payable are summarized as follows:

2016 Hospital Facilities Revenue Bonds - dated September 1, 2016, were issued in the amount of \$7,072,098 to refund the 2008A series bonds and finance a portion of the West Wing construction project. The bonds have monthly principal and interest payments that vary based on the variable interest rate. The bonds mature on September 7, 2038 and includes a lump-sum payment of \$1,684,494 at maturity. The interest rate on the variable rate debt was 1.36% at March 31, 2021. These bonds are secured by a pledge of certain certificates of deposits and the balance in the project service fund. The collateral balance at March 31, 2021 was \$0.

2017 Hospital Facilities Revenue Bonds - dated January 1, 2017, were issued in the amount of \$8,800,000 to provide for additional financing for the West Wing construction project. The bonds have monthly principal and interest payments that vary based on the variable interest rate. The bonds mature on January 1, 2039 and includes a lump-sum payment of \$3,355,392 at maturity. The interest rate on the variable rate debt was 1.36% at March 31, 2021. These bonds are secured by a pledge of gross receipts of the Organization.

The 2017 and 2016 series bonds are subject to operational and financial covenants. The Organization is required to maintain a fixed charge coverage ratio of not less than 1.35 and a ratio of total liabilities to net position ratio of not greater than 1.5 to 1.0. In fiscal year 2021, the Organization met all financial covenants.

Note Payable - The Organization entered into a \$4,000,000 installment note payable during 2018, proceeds from which were used to cover additional expenses and repairs related to the West Wing Expansion project. The note has quarterly principal and interest payments at an interest of 5.125%. The note matures on October 21, 2023. This loan is secured by a pledge of gross receipts of the Organization. The Organization repaid this note in full in April 2021.

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The 2018 note payable is subject to operational and financial covenants. The Organization is required to maintain a fixed charge coverage ratio of not less than 1.35, a ratio of total liabilities to net position of not greater than 1.5 to 1.0, and a days cash on hand ratio of not less than 35 days. The Organization met all ratios in 2021.

The following is a schedule of principal and interest payments based on interest rates effective at March 31, 2021:

Years Ended March 31	Bonds and Notes Principal	Bonds and Notes Interest	Interest Rate Swap, Net
2022	\$ 1,669,347	\$ 273,485	\$ 136,395
2023	1,489,246	223,084	129,237
2024	1,309,486	172,409	122,650
2025	730,955	147,186	114,261
2026	752,821	137,110	106,444
2027-2031	4,117,159	523,503	342,824
2032-2036	514,701	345,199	278,644
2037-2039	5,315,673	186,570	198,169
Total	<u>\$ 15,899,388</u>	<u>\$ 2,008,546</u>	<u>\$ 1,428,624</u>

As part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, certain businesses were eligible to receive a loan from the Small Business Association (SBA) through the Paycheck Protection Program (PPP) under CFDA #59.073. The PPP loan is unsecured, bears interest at 1%, and funds advanced under the program are subject to forgiveness if certain criteria is met. The PPP loans may be forgivable to the extent that the employer incurs and spends the funds on qualified expenditures, which include payroll, employee health insurance, rent utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. During 2021, MEDF received a PPP loan of \$1,298,732. MEDF initially accounted for this loan as debt. Management was notified by the SBA in December 2020 that this loan was fully forgiven. MEDF has recognized the forgiveness as nonoperating income on the consolidated statement of operations and changes in net position.

10. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

Contracts

The Organization has three interest rate swap agreements in effect at March 31, 2021 relating to the 2016 Hospital Facilities Revenue Refunding Bonds and 2017 Hospital Facilities Revenue Refunding Bonds.

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Objectives

As a means to manage the risk associated with interest rate risk on its variable rate bonds, the Organization entered into an interest rate swap in connection with its 2016 and 2017 Hospital Facilities Revenue Refunding Bonds. These interest rate swaps are reflected at fair value in the consolidated balance sheets as a liability of \$278,319 and \$898,792 at March 31, 2021 and 2020, respectively. The intention of the swap agreements was to effectively change the Organization's variable interest rate on the bonds to the fixed rates stated in the table below.

Terms, Fair Values and Credit Risk

The terms, fair values, and credit ratings of the outstanding swap as of March 31, 2021 are shown below. The notional amount of the swap is equal to or less than the principal amount of the associated debt and declines with the principal amortization on the bonds.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate	Variable Rate	Fair Value	Termination Date	Counterparty Credit Rating
2016 Hospital Facilities Revenue Refunding Bonds	\$ 3,067,326	October 12, 2016	2.39%	1.36%	\$ (75,235)	October 12, 2031	BBB+/A-/A-
2016 Hospital Facilities Revenue Refunding Bonds	\$ 2,686,549	October 12, 2016	2.43%	1.36%	\$ (64,984)	October 12, 2031	BBB+/A-/A-
2017 Hospital Facilities Revenue Refunding Bonds	\$ 5,469,799	January 13, 2017	2.42%	1.36%	\$ (138,100)	January 13, 2032	BBB+/A-/A-

The variable rate on the swap is the USD-LIBOR-BBA and the rate reset period is monthly for each swap agreement.

The counterparty carries a guarantee by an entity ("counterparty guarantor") and counterparty credit ratings are shown in the table above.

Basis Risk

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

Termination Risk

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

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Swap Payments and Associated Debt

Using rates as of March 31, 2021, debt service requirements of the variable rate debt and net swap payments of the 2016 and 2017 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 9. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The Organization has determined the swap to be an effective hedge. Accordingly, the fair value of the swap has been recorded and subsequent changes in fair value will be recorded only in the consolidated balance sheet while the swap remains an effective hedge. Following is an analysis of the recording of the interest rate swap agreement:

	Deferred Outflows	
	2021	2020
Deferred outflows	<u>\$ 278,319</u>	<u>\$ 898,792</u>
	Liabilities	
	2021	2020
Interest rate swap liability	<u>\$ 278,319</u>	<u>\$ 898,792</u>

11. ACCRUED EXPENSES

The details of accrued liabilities at March 31, 2021 and 2020 is as follows:

	2021	2019
Payroll and related amounts	\$ 1,585,002	\$ 1,362,862
Health insurance	553,163	682,817
Pension	410,325	387,654
Franchise fee	-	51,594
Other	492,232	795,366
Total accrued liabilities	<u>\$ 3,040,722</u>	<u>\$ 3,280,293</u>

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12. NET PATIENT SERVICE REVENUES

Net patient service revenue consists of the following:

	<u>2021</u>	<u>2020</u>
Revenue:		
Inpatient	\$ 40,189,811	\$ 34,518,784
Outpatient	107,380,593	106,651,602
Total patient revenue	<u>147,570,404</u>	<u>141,170,386</u>
Revenue deductions:		
Contractual allowances	62,173,368	63,933,746
Provision for bad debts	3,415,115	3,687,409
Charity care	(154,606)	246,312
Total deductions	<u>65,433,877</u>	<u>67,867,467</u>
Total net patient service revenue	<u>\$ 82,136,527</u>	<u>\$ 73,302,919</u>

13. OPERATING LEASE

The Organization has entered into an operating lease agreement for property which matures in July 2025. The following is a schedule of minimum operating lease payments by year as of March 31, 2021:

Years Ending <u>March 31</u>	Minimum Annual Lease Payments
2022	\$ 83,898
2023	83,898
2024	83,898
2025	83,898
2026	27,966
	<u>\$ 363,558</u>

Total rental expense for operating leases, including those with terms of one year or less, for the years ended March 31, 2021 and 2020 were \$274,122 and \$257,818, respectively, and is included within other operating expenses in the consolidated statement of operations and changes in net position.

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14. SOFTWARE LICENSING AGREEMENT

In 2017, the Organization entered into a software licensing agreement with The Ohio State University (OSU) for the right to access and use a portion of the OSU electronic medical record system.

The agreement provided for the use of the system for a period of nine years. The initial implementation costs of \$2,637,476, payable to OSU, were paid in equal monthly installments for nine months beginning in February 2016. Additional implementation costs of \$154,775 relating to equipment and software from other parties were incurred in 2017. The implementation costs are considered an intangible assets and are included in capital assets on the consolidated balance sheets. The implementation costs are being amortized on a straight-line basis over the ten year term of the agreement. Amortization expense relating to implementation costs was \$279,225 and \$293,053 in 2021 and 2020, respectively.

Beginning in August 2017, the Organization began making monthly maintenance expense payments of \$69,220 for a period of nine years. The monthly maintenance expense is subject to adjustment annually based on volumes and other factors. Management does not anticipate substantial adjustments to the maintenance expense over the remaining term of the contract.

15. RETIREMENT PLANS

The Organization contributed to 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, multi-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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for 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 OPEB as described in GASB Statement No. 75. Please see the Plan Statement in the OPERS 2020 Comprehensive Annual Financial Report for details.

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The Ohio Revised Code (ORC) 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#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Contribution Rates

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

Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For calendar year 2020, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during the calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2021 remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for calendar year 2020 was 4.0%.

The Organization's contributions to the plans are as follows:

	2021 (*)	2020 (*)
Statutory required contributions	\$ 3,009,261	\$ 2,810,817
Contributions in relation to required contributions	3,009,261	2,810,817
Contribution excess/deficiency	\$ -	\$ -

(*) - Includes both pension and healthcare required contributions

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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 Statement 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 assets and liabilities of the plans. Although changes in the net pension assets and liabilities generally are recognized as income/expense in the current period, certain items are to be deferred and recognized as income/expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension income/expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 10 years).

The collective net pension assets and liabilities of the retirement systems (GASB 68) and the Organization's proportionate share of these net pension assets and liabilities, as of March 31, 2021 and 2020 are as follows:

	2021	2020
Net pension liability - all employers	\$ 14,807,822,857	\$ 19,765,678,367
Proportion of the net pension liability - Organization	0.141503%	0.132814%
Proportionate share of net pension liability	<u>\$ 20,953,514</u>	<u>\$ 26,251,588</u>
	2021	2020
Net pension asset - all employers	\$ 288,663,526	\$ 212,303,965
Proportion of the net pension asset - Organization	0.146149%	0.150372%
Proportionate share of net pension asset	<u>\$ 421,879</u>	<u>\$ 319,245</u>

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

Pension expense, which includes GASB 68 expense and employer contributions, for the years ending March 31, 2021 and 2020 was \$1,011,771 and \$4,276,431, respectively.

The collective net OPEB asset/(liability) of the retirement systems (GASB 75) and the Organization's proportionate share of the net OPEB asset/(liability) as of March 31, 2021 and 2020 are as follows:

	2021	2020
Net OPEB asset/(liability) - all employers	\$ 1,781,579,865	\$ (13,812,597,868)
Proportion of the net OPEB asset/liability - Organization	0.140077%	0.132139%
Proportionate share of net pension asset/(liability)	<u>\$ 2,495,584</u>	<u>\$ (18,251,829)</u>

Other postemployment benefits income/(expense), which includes GASB 75 expense and employer contributions, for the year ending March 31, 2021 and 2020 was \$14,854,402 and \$(1,905,948), respectively.

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At March 31, 2021 and 2020, the Organization reported deferred outflows of resources and deferred inflows of resources related to retirement plans from the following sources:

	<u>2021</u>	<u>2020</u>
Deferred outflows of resources:		
Difference between expected and actual experience	\$ -	\$ 12,818
Actuarial assumption changes	26,346	1,435,286
Change in proportionate share	1,228,574	29,546
Difference between Organization contributions and proportionate share of contributions	2,796	20,795
Employer contributions subsequent to the measurement date	713,550	691,758
Total	<u>\$ 1,971,266</u>	<u>\$ 2,190,203</u>
	<u>2021</u>	<u>2020</u>
Net difference between projected and actual earnings on pension plan assets	\$ 956,094	\$ 5,278,717
Difference between expected and actual experience	8,229,808	405,962
Change in proportionate share	132,647	426,269
Difference between Organization contributions and proportionate share of contributions	4,379	3,101
Total	<u>\$ 9,322,928</u>	<u>\$ 6,114,049</u>

At March 31, 2021 and 2020, the Organization reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	<u>2021</u>	<u>2020</u>
Deferred outflows of resources:		
Change in proportionate share	\$ 669,413	\$ -
Difference between expected and actual experience	-	490
Actuarial assumption changes	1,226,857	2,889,070
Employer contributions subsequent to the measurement date	5,924	6,024
Total	<u>\$ 1,902,194</u>	<u>\$ 2,895,584</u>
	<u>2021</u>	<u>2020</u>
Deferred inflows of resources:		
Difference between expected and actual experience	\$ 2,252,250	\$ 1,669,214
Assumption Changes	4,043,593	-
Net difference between projected and actual earnings on OPEB plan assets	1,329,182	929,378
proportionate share of contributions	8,248	7,698
Total	<u>\$ 7,720,066</u>	<u>\$ 2,845,043</u>

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

2022	\$	2,796,855
2023		769,638
2024		3,362,032
2025		1,127,272
2026		3,534
2027 and Thereafter		5,881
Total	\$	<u>8,065,212</u>

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB income during the years ended March 31 as follows:

2022	\$	3,023,591
2023		2,065,977
2024		577,609
2025		156,619
Total	\$	<u>5,823,796</u>

Statutory Authority

Ohio Revised Code 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 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of 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 amount of a member's pension benefit vests upon receipt of the initial benefit payment.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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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.

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 benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan will receive a cost-of-living adjustment for defined benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date

December 31, 2020 for Pension

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

Actuarial Assumptions

Valuation Date: December 31, 2020 for pension and December 31, 2019 for OPEB

Rolled Forward Measurement Date: December 31, 2020 for OPEB

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 7.2% for pension and 6.0% for OPEB

Inflation: 3.25%

Projected Salary Increases: 3.25% - 10.75%

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

Health Care Cost Trends: 8.5% initial, 3.5% ultimate in 2035

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

Mortality Rates

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all the above described tables.

Date of Last Experience Study

Five year period ended December 31, 2015.

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 calendar year 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	25.0%	1.3%
Domestic equity	21.0%	5.6%
Real estate	10.0%	5.4%
Private equity	12.0%	10.4%
International equity	23.0%	7.4%
Other investments	9.0%	4.8%
Total	100.0%	

* Returns presented as arithmetic means

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

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

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	34.0%	1.1%
Domestic equity	25.0%	5.6%
Real estate	7.0%	6.5%
International equity	25.0%	7.4%
Other investments	9.0%	4.0%
Total	100.0%	

* Returns presented as arithmetic means

Discount Rate

Pension: The discount rate used to measure the total pension asset/liability was 7.2% for the Traditional Pension Plan, Combined Plan, and 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 asset/liability.

OPEB: A single discount rate of 6.0% was used to measure the total OPEB asset/liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the 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 6.0% and a municipal bond rate of 2.0%. The projection of 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

Health Care Cost Trend Rate

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

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease 6.2%	Current Rate 7.2%	1% Increase 8.2%
\$ 39,968,937	\$ 20,953,514	\$ 5,142,219

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease 6.2%	Current Rate 7.2%	1% Increase 8.2%
\$ (293,759)	\$ 421,879	\$ (517,367)

Sensitivity of Net OPEB Asset to Changes in Discount Rate

1% Decrease 5.00%	Current Rate 6.00%	1% Increase 7.00%
\$ 620,541	\$ 2,495,584	\$ 4,037,019

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

1% Decrease	Current Rate	1% Increase
\$ 2,556,405	\$ 2,495,584	\$ 2,427,534

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

Defined Contribution Plans

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

Pension expense recorded for the years ended December 31, 2021 and 2020, for contributions to the Member-Directed Plan was approximately \$61,000 and \$60,000, respectively.

16. SELF-INSURED BENEFITS

The Organization provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that generally covers specific claims over \$150,000. Total health insurance expenses charged to operations, including an estimate of incurred but unreported claims, totaled \$6,311,938 and \$5,307,040 for the years ended March 31, 2021 and 2020, respectively. Activity and balances as of and for the years ended March 31, 2021 and 2020 are as follows:

	<u>Beginning Liability</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Ending Liability</u>
2020	\$ 700,000	\$ 5,307,040	\$ 5,324,223	\$ 682,817
2021	\$ 682,817	\$ 6,311,938	\$ 6,441,592	\$ 553,163

17. BLENDED COMPONENT UNIT

The consolidated financial statements include MEDF, a separate entity organized to support the operations of the Hospital as a blended component unit. The following is a summary of the financial position and activities of MEDF as of and for the year ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets:		
Total current assets	\$ 2,829,235	\$ 1,365,141
Capital assets, net	278,622	309,940
Other assets	174,305	216,000
Total assets	<u>\$ 3,282,162</u>	<u>\$ 1,891,081</u>
Liabilities:		
Total current liabilities	2,087,803	2,022,140
Total liabilities	<u>\$ 2,087,803</u>	<u>\$ 2,022,140</u>
Net position:		
Total net position	1,194,359	(131,059)
Total liabilities and net position	<u>\$ 3,282,162</u>	<u>\$ 1,891,081</u>

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

	2021	2020
Operating revenues		
Total operating revenues	\$ 8,098,672	\$ 7,065,655
Operating expenses		
Total operating expenses	13,409,312	11,490,002
Loss from operations	(5,310,640)	(4,424,347)
Nonoperating gains		
Total nonoperating gains	1,826,058	460,604
Transfer from affiliates	4,810,000	4,335,150
Change in net position	1,325,418	371,407
Net position - beginning of year	(131,059)	(502,466)
Net position - end of year	\$ 1,194,359	\$ (131,059)
	2021	2020
Cash provided by (used in):		
Operating activities	\$ 1,260,904	\$ 468,974
Capital and related financing activities	31,318	(30,803)
Total	1,292,222	438,171
Cash - beginning of year	444,162	5,991
Cash - end of year	\$ 1,736,384	\$ 444,162

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

18. DEFERRED REVENUE AND STIMULUS FUNDS

During 2021, the Provider Relief Fund (PRF) grants authorized under the CARES Act were distributed to healthcare providers impacted by the outbreak of the coronavirus pandemic (COVID-19) under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF grants are recognized to the extent of COVID-19 related expenses. Additional revenues from PRF grants in excess of COVID-19 related expenses can be recognized to the extent of patient revenues lost as a result of the pandemic. As of March 31, 2021, the Organization has utilized these funds for their purpose. The Organization recognized PRF revenue of \$7,044,676 in the statement of operations and changes in net position as nonoperating revenue in 2021. Patient revenues lost represent the deficiency in net patient service revenues budgeted for 2021.

As part of the CARES Act, Congress also authorized Coronavirus Relief Funds (CRF), which were distributed to state and local governments. In 2021, the state of Ohio passed through CRF funds to healthcare providers in the state. Revenues from CRF grants are recognized to the extent of COVID-19 related expenses. As of March 31, 2021, the Organization has utilized these funds for their purpose. The Organization recognized CRF revenue of \$1,026,414 in the statement of operations and changes in net position as nonoperating revenue in 2021.

During 2021, the Hospital also received an Assistant Secretary for Preparedness and Response (ASPR) Grant CFDA #93.889 from The Research and Educational Foundation of the Ohio Hospital Association d/b/a the Institute of Health Innovation. As of March 31, 2021, the Organization has utilized these funds for their purpose. The revenue associated with these funds is included in the statement of operations and changes in net position as nonoperating revenue in 2021.

The passage of the CARES Act also authorized the 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 Organization was eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April 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. As of the date the consolidated financial statements were available to be issued, no recoupment has occurred. During the period before recoupment, Medicare claims submitted by the Organization will continue to be reimbursed at standard rates, after which the recoupment process will begin and payment for submitted claims will be reduced by 25% for 6 months, then 50% for the following 11 months, and any outstanding payments after this period will be due in full to CMS.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

As of and for the year ended March 31, 2021, revenues recognized, and deferred revenue were as follows:

	Revenue Recognized	Current Portion of Deferred Revenue	Long-Term Portion of Deferred Revenue
Provider relief funds	\$ 7,044,676	\$ -	\$ -
Coronavirus relief funds	1,026,414	-	-
ASPR grant funds	64,893	-	-
Medicare accelerated and advance payment program	-	2,478,374	2,631,964
Ending balance as of March 31, 2021	<u>\$ 8,135,983</u>	<u>\$ 2,478,374</u>	<u>\$ 2,631,964</u>

19. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Organization has purchased commercial insurance for malpractice, general liability, and employee medical claims.

The Organization is insured against medical professional liability claims under an occurrence-based policy. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. Under the terms of the policy, the Organization bears the risk of the ultimate costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in the policy year.

Should the occurrence-based policy not be renewed or replaced with equivalent insurance, claims based on occurrence subsequent to the policy term will be uninsured. The Organization is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as a current expense.

The Organization is exposed to various risks of loss related to property and general losses, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Organization has purchased commercial insurance and/or participated in state-sponsored plans for coverage of these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

20. RISKS AND CONTINGENCIES

Compliance Risks

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

Coronavirus Pandemic

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

21. RECENT GASB PRONOUNCEMENTS

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

GASB Statement No. 87, *Leases*, will be effective for the Organization's fiscal year ending March 31, 2023. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. Under this statement the Organization will be required to recognize a lease liability and an intangible right-to-use lease asset for leases that have been traditionally classified as operating leases.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the Organization's fiscal year ending March 31, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for consolidated financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the Organization's fiscal year ending March 31, 2024. This statement defines a subscription-based information technology arrangement (SBITAs), establishes that a SBITA results in a right-to-use subscription assets – an intangible asset – and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosure regarding a SBITA.

Supplementary Information

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/ The Research and Educational Foundation of the Ohio Hospital Association d/b/a the Institute of Health Innovation: COVID-19 - Assistance Secretary for Preparedness and Response	93.889	-	\$ -	\$ 64,893
U.S. Department of Health and Human Services: COVID-19 - Testing for the Uninsured	93.461	-	-	322,295
U.S. Treasury Department/State of Ohio: COVID-19 - Coronavirus Relief Fund	21.019	-	-	1,026,414
				<u>\$ 1,413,602</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards for the year ended March 31, 2021 includes the federal grant activity that Mercer County Joint Township Community Hospital and Affiliates (the Organization) 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 consolidated financial statements.

Note B – Summary of Significant Accounting Policies

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

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

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

Schedule of Proportionate Share of the Net Pension Asset/Liability (rounded to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015
Organization proportion of the collective net pension liability	0.141503%	0.132814%	0.135179%	0.136804%	0.133979%	0.130522%	0.129625%
Organization proportionate share of the net pension liability	\$ 20,954,000	\$ 26,252,000	\$ 37,023,000	\$ 21,462,000	\$ 30,424,000	\$ 22,608,000	\$ 15,634,000
Organization proportion of the collective net pension asset	0.146149%	0.150372%	0.167245%	0.145810%	0.177972%	0.181150%	0.001327%
Organization proportionate share of the net pension asset	\$ 422,000	\$ 319,000	\$ 191,000	\$ 204,000	\$ 100,000	\$ 88,000	\$ 51,000
Organization covered payroll	\$ 21,184,464	\$ 20,077,000	\$ 19,832,000	19,283,000	18,103,000	17,334,000	16,277,000
Organization proportionate share of the net pension liability as a percentage of its covered payroll	98.9%	130.8%	186.7%	111.3%	168.1%	130.4%	96.0%
Plan fiduciary net position as a percentage of the net pension liability	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%
Schedule of Organization Contributions							
Contractually required contribution	\$ 2,985,000	\$ 2,778,000	\$ 2,707,000	\$ 2,503,000	\$ 2,268,000	\$ 2,101,000	\$ 1,996,000
Contributions in relation to the contractually required contribution	\$ 2,985,000	\$ 2,778,000	\$ 2,707,000	\$ 2,503,000	\$ 2,268,000	\$ 2,101,000	\$ 1,996,000
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 21,495,000	\$ 20,019,000	19,459,000	19,256,000	18,903,000	17,508,000	16,631,000
Contributions as a percentage of covered payroll	13.9%	13.9%	13.9%	13.0%	12.0%	12.0%	12.0%

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

Schedule of Proportionate Share of the Net OPEB Asset/Liability (rounded to the nearest 1,000)	2021	2020	2019	2018	2017	2016	2015
Organization proportion of the collective net OPEB liability	0.000000%	0.132139%	0.134925%	*	*	*	*
Organization proportion share of the net OPEB liability	\$ -	\$ 18,252,000	\$ 17,591,000	*	*	*	*
Organization proportion of the collective net OPEB asset	0.140077%	0.000000%	0.000000%	*	*	*	*
Organization proportion share of the net OPEB asset	\$ 2,496,000	\$ -	\$ -	*	*	*	*
Organization covered payroll	\$ 21,184,464	\$ 20,077,000	19,832,000	19,283,000	18,103,000	17,334,000	16,277,000
Organization proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%	90.9%	88.7%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	47.8%	54.1%	*	*	*	*
Organization proportionate share of the net OPEB asset as a percentage of its covered payroll	11.8%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB asset	115.6%	47.8%	54.1%	*	*	*	*
Schedule of Organization Contributions							
Contractually required OPEB contribution	\$ 25,000	\$ 24,000	\$ 17,000	\$ 193,000	\$ 378,000	\$ 350,000	\$ 166,000
Contributions in relation to the contractually required contribution	<u>\$ 25,000</u>	<u>\$ 24,000</u>	<u>\$ 17,000</u>	<u>\$ 193,000</u>	<u>\$ 378,000</u>	<u>\$ 350,000</u>	<u>\$ 166,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$ 21,495,000	20,019,000	19,459,000	19,256,000	18,903,000	17,508,000	16,631,000
Contributions as a percentage of covered payroll	0.1%	0.1%	0.1%	1.0%	2.0%	2.0%	2.0%

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 is not available as information for GASB 75 was only obtained in fiscal year 2020.

See Report of Independent Auditors.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Defined Benefit Pension Plans

Changes of Benefit Terms

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

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

Changes of Assumptions

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

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions

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

- Wage inflation assumption remained consistent at 3.25%.
- Actuarially assumed discount rate increased from 3.16% to 6.0%.
- Health care cost trend rate decreased from 10.5% initial, 3.5% ultimate in 2030 to 8.50% initial, 3.5% ultimate in 2035.



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

To the Board of Governors:
Mercer County Joint Township Community Hospital
Coldwater, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the consolidated financial statements of the business-type activities and the aggregate discretely presented component unit of Mercer County Joint Township Community Hospital (the Organization), as of and for the year ended March 31, 2021, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements and have issued our report thereon dated September 24, 2021.

Internal Control Over Financial Reporting

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

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

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

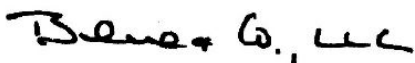
Board of Governors:
Mercer County Joint Township Community Hospital

Compliance and Other Matters

As part of reasonably assuring whether the Organization's consolidated financial statements are free from material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance which we must report under *Government Auditing Standards*.

Purpose of this Report

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



Westerville, Ohio
September 24, 2021



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

To the Board of Governors:
 Mercer County Joint Township Community Hospital
 Coldwater, Ohio

Report on Compliance for the Major Federal Programs

We have audited the accompanying consolidated financial statements of the business-type activities and the discretely presented component unit of Mercer County Joint Township Community Hospital (the Organization) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially effect the Organization's major federal programs for the year ended March 31, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Organization's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Organization's compliance for the Organization's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Governmental Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance requires us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Governors:
Mercer County Joint Township Community Hospital

Opinion on the Major Federal Programs

In our opinion, Mercer County Joint Township Community Hospital complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended March 31, 2021.

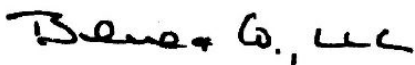
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Westerville, Ohio
September 24, 2021

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___x___ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	___x___ none reported
Noncompliance material to financial statements noted?	_____ yes	___x___ none reported

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	___x___ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	___x___ none reported
Type of auditor’s report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with section 200.516 Audit findings paragraph (a) of the Uniform Grant Guidance	_____ yes	___x___ none reported

Identification of major programs:

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

Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes ___x___ no

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

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

No matters reported.

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

No matters reported.

Section IV – Summary schedule of prior audit findings:

No matters reported.

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OHIO AUDITOR OF STATE KEITH FABER



MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

MERCER 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 11/18/2021

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

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