

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

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Highland County Joint Township District Hospital
1275 North High Street
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Highland County Joint Township District Hospital, Highland County, prepared by Blue & Co., LLC, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

August 02, 2024

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HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Highland County Joint Township District Hospital and Affiliates (the "Hospital"), a nonprofit organization, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter – Change in Accounting Principle

As described in Note 3 to the financial statements, during 2023, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through ix and the Required Supplemental Information on GASB 68 Pension Asset, Liabilities, and Pension Contributions and GASB 75 Other Postemployment Benefit Assets, Liabilities, and Contributions on pages 46 through 49, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



Westerville, Ohio
June 25, 2024

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The discussion and analysis of Highland County Joint Township District Hospital and its blended component units, Highland District Hospital Professional Services Corporation, Highland District Hospital Foundation and Highland Joint Township District Hospital Foundation (collectively, the "Hospital") provides an overview of the Hospital's financial activities for the year ended December 31, 2023, 2022, and 2021.

Financial Highlights

- The Hospital's net position increased \$8,176,930 in 2023 and increased by \$10,167,878 in 2022.
- The Hospital reported an operating gain of \$4,690,455 in 2023 and an operating gain of \$12,601,725 in 2022.
- Total operating revenues increased from 2022 to 2023 by \$6,299,020 or 10.1%. Total operating revenues decreased from 2021 to 2022 by \$3,441,301 or 5.2%.
- The Hospital had an increase in operating expense of \$14,210,290 or 28.6% in 2023 from 2022 and an increase of \$9,279,189 or 23.0% in 2022 from 2021. Included in the operating expenses for 2023 was an expense of \$5,887,643 relating to the continued impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB 68), and a benefit of \$1,328,454 relating to the continued impact of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75). Operating expenses for 2022 included a benefit of \$755,524 and \$3,256,516 relating to GASB 68 and 75, respectively.
- The Hospital recognized noncapital grants and gifts income of \$1,974,239 in 2023 from grants from nonfederal sources and individuals. In 2022, \$3,528,585 was recognized from Coronavirus Aid, Relief, and Economic Security Act (CARES Act) grants.
- During 2023, the Hospital adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*, which requires certain subscription-based information technology arrangements (SBITAs) to be recorded in the statement of net position. The Hospital has recorded SBITA assets in the amount of \$668,698 within capital assets, net, and SBITA liabilities of \$557,525 as of December 31, 2023. The Hospital has recorded SBITA assets in the amount of \$92,739 within capital assets, net, and SBITA liabilities of \$69,262 as of December 31, 2022.

Using This Annual Report

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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

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

Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred outflows and inflows of resources. In 2023, the Hospital's net position increased by \$8,176,930. As noted on page i, \$1,974,239 of this increase related to noncapital grants and gifts, and a gain of \$1,328,454 associated with GASB 75. In 2022, the Hospital's net position increased by \$10,167,878. As noted on page i, \$3,528,585 of this increase related to grants and gifts, and gains of \$755,524 and \$3,256,516 associated with GASB 68 and GASB 75, respectively.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of the Hospital as of December 31, 2023, 2022, and 2021:

	December 31		
	2023	2022 (As Restated)	2021
Assets and deferred outflows of resources			
Current assets	\$ 24,332,026	\$ 18,429,570	\$ 22,070,399
Noncurrent assets	45,770,297	41,353,737	33,663,744
Capital assets, net	28,346,283	29,781,372	31,337,428
Deferred outflows - pension	15,462,033	5,503,814	2,683,601
Deferred outflows - other post-employment benefits	2,457,743	199,183	1,071,165
Total assets and deferred outflows of resources	<u>\$ 116,368,382</u>	<u>\$ 95,267,676</u>	<u>\$ 90,826,337</u>
Liabilities and deferred inflows of resources			
Current liabilities	\$ 5,618,412	\$ 3,481,405	\$ 5,850,473
Long-term liabilities	39,079,033	11,891,609	18,330,101
Deferred inflows - pension	93,001	12,774,865	7,347,089
Deferred inflows - other post-employment benefits	262,402	3,980,497	6,327,252
Total liabilities and deferred outflows of resources	<u>\$ 45,052,848</u>	<u>\$ 32,128,376</u>	<u>\$ 37,854,915</u>
Net position			
Net investment in capital assets	\$ 27,709,996	\$ 29,600,147	\$ 31,193,325
Restricted	879,421	4,874,799	2,830,654
Unrestricted	42,726,117	28,664,354	18,947,443
Total net position	<u>\$ 71,315,534</u>	<u>\$ 63,139,300</u>	<u>\$ 52,971,422</u>

The most significant change in the Hospital's net position in 2023, 2022, and 2021 was the result of operations during the years and the effects of GASB 68 and GASB 75.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Results and Changes in Net Position

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

	Year Ended December 31		
	2023	2022 (As Restated)	2021
Operating revenues			
Net patient service revenue	\$ 67,010,646	\$ 61,274,473	\$ 64,642,372
Other operating revenue	1,595,511	1,032,664	1,106,066
Total operating revenues	<u>68,606,157</u>	<u>62,307,137</u>	<u>65,748,438</u>
Operating expenses			
Salaries and wages	23,822,343	23,007,793	22,060,414
Employee benefits	4,752,136	3,994,219	3,974,765
Pension expense (benefits)	5,887,643	(755,524)	378,656
Other post-employment benefits	(1,328,454)	(3,256,516)	(12,539,346)
Supplies	11,354,195	9,941,489	10,479,696
Purchased services	7,740,939	6,527,190	6,225,497
Physician fees	4,860,659	3,830,498	3,568,817
Depreciation and amortization	3,742,325	3,641,653	3,602,944
Professional fees	146,727	128,667	145,891
Utilities	810,774	857,079	888,440
Insurance	385,408	342,858	327,319
Franchise fees	1,216,864	1,129,925	978,942
Other operating expense	524,839	316,081	334,188
Total operating expenses	<u>63,916,398</u>	<u>49,705,412</u>	<u>40,426,223</u>
Operating gain	4,689,759	12,601,725	25,322,215
Non-operating gains (losses)			
Investment income (losses)	1,561,235	(5,626,619)	(540,669)
Grant expense	(300,000)	(334,171)	-
Interest expense	(26,902)	(5,789)	(53,857)
Noncapital grants and gifts	1,974,239	3,528,585	5,085,693
Other non-operating gains (losses)	277,903	(21,249)	4,401,324
Total non-operating gains (losses)	<u>3,486,475</u>	<u>(2,459,243)</u>	<u>8,892,491</u>
Change in net position	8,176,234	10,142,482	34,214,706
Net position - beginning of year	<u>63,139,300</u>	<u>52,996,818</u>	<u>18,756,716</u>
Net position - end of year	<u>\$ 71,315,534</u>	<u>\$ 63,139,300</u>	<u>\$ 52,971,422</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

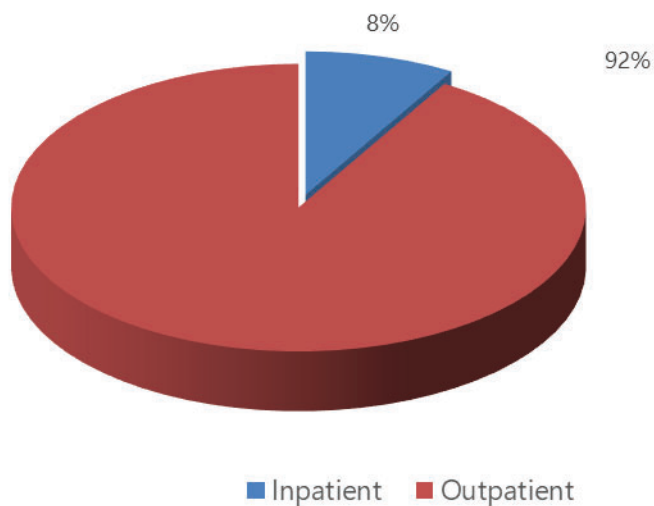
Operating Revenues

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

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$5,736,173 or 9.4% from 2022 to 2023.
- Net patient service revenue decreased \$3,367,899 or 5.2% from 2021 to 2022.

The following is a graphic illustration of patient revenues by source in 2023:



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

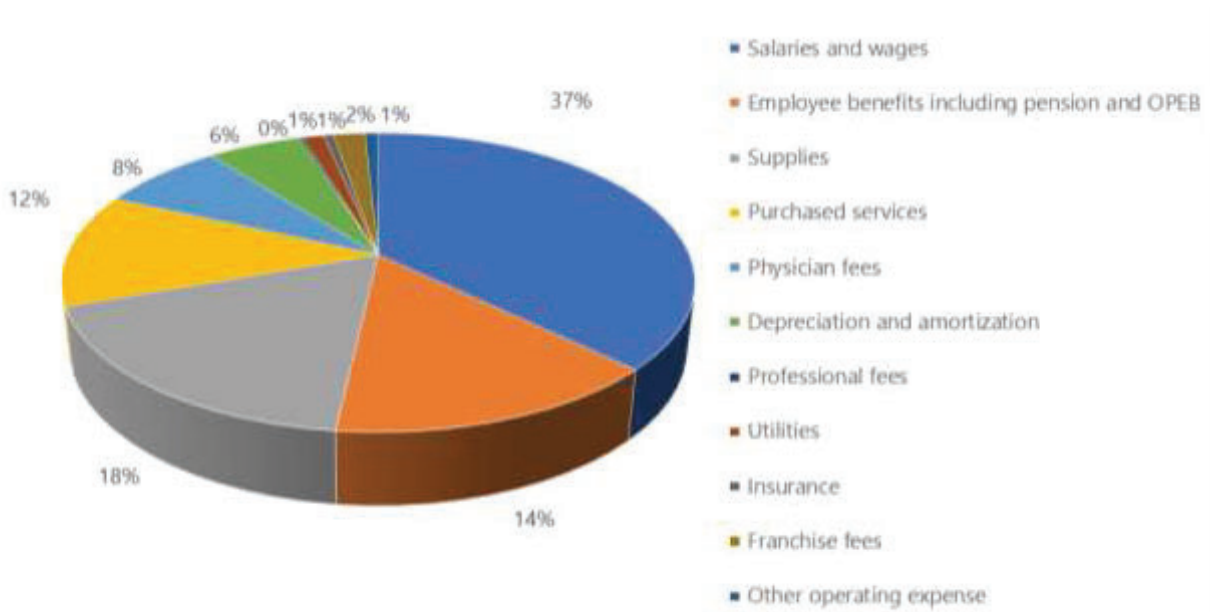
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Expenses

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

- Pension expense increased \$6,643,167 from 2022 to 2023 as a result of changes in the Hospital's proportionate share in the Ohio Public Employees Retirement System (OPERS) retirement plans.
- Other post-employment benefits decreased \$1,928,062 from 2022 to 2023 as a result of changes in the Hospital's proportionate share in OPERS.
- Supplies increased \$1,412,010, or 14.2% 2022 to 2023 primarily as a result of increased patient volumes and inflation.
- Purchased services increased \$1,213,749 or 18.6% from 2022 to 2023 primarily as a result of additional contracted labor.
- Physician fees increased \$1,030,161 or 26.9% from 2022 to 2023 primarily as a result of several additional contracted physicians.

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



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Sources of Revenue

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

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

Non-operating Gains (Losses)

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income, including interest income, realized and unrealized gains and losses; grant income and expense; and interest expense. The change in other non-operating gains and losses from 2022 to 2023 was primarily due to gains on investments. In 2023, the Hospital recognized an investment gain of \$1,561,235 and in 2022 the Hospital recognized an investment loss of \$5,626,619.

Statement of Cash Flows

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

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

	Year Ended December 31		
	2023	2022 (As Restated)	2021
Cash provided by (used in):			
Operating activities	\$ 10,721,787	\$ 10,298,987	\$ 12,473,841
Capital and related financing activities	(1,636,350)	(2,068,501)	(3,285,943)
Noncapital financing activities	1,709,416	872,582	2,906,144
Investing activities	(6,891,772)	(11,496,450)	(14,622,648)
Change in cash and cash equivalents	3,903,081	(2,393,382)	(2,528,606)
Cash and cash equivalents - beginning of year	9,234,384	11,627,766	14,156,372
Cash and cash equivalents - end of year	\$ 13,137,465	\$ 9,234,384	\$ 11,627,766

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Participation in the Ohio Public Employees Retirement System

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

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

Capital Asset and Debt Administration

At December 31, 2023 and 2022, the Hospital had \$28,346,283 and \$29,781,372, respectively, invested in capital assets, net of accumulated depreciation and amortization. The Hospital acquired or constructed capital assets in the amount of \$2,334,740 and \$2,103,434 during 2023 and 2022, respectively.

Long-Term Debt Obligations

During 2021, the Hospital repaid its debt and as of December 31, 2023 and 2022 has no outstanding long-term debt obligations.

Economic Factors that Will Affect the Future

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

- Changes in the local economy, which may cause volumes to significantly increase or decrease. Bad debts, charity care, financial mix and utilization may also be impacted.
- Federal and state governmental budget changes, which could change the funding for Medicare and Medicaid.
- Physician relationships/alignment will continue to develop, and impact quality, cost, and services to the community.
- Hospital labor shortages and increased personnel costs.

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Contacting the Hospital's Management

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

Meghann Ackley
Chief Financial Officer

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

Assets and Deferred Outflows of Resources

	2023	2022 (As Restated)
Current assets		
Cash and cash equivalents	\$ 12,728,440	\$ 8,931,146
Patient accounts receivable, net of allowances for uncollectible accounts; \$3,665,498 and \$3,508,968 as of December 31, 2023 and 2022, respectively	8,186,275	7,166,020
Notes receivable, current portion	93,890	188,415
Other receivables	1,403,510	1,267,345
Supplies	635,654	598,692
Prepaid expenses and other current assets	1,284,257	277,952
Total current assets	24,332,026	18,429,570
Assets limited as to use		
Internally designated for specific purpose	452,955	446,288
Restricted by donors for capital improvements	497,521	409,376
Total assets limited as to use	950,476	855,664
Long-term investments	44,418,805	35,954,823
Notes receivable, net current portion	15,996	77,827
Capital assets, net	28,346,283	29,781,372
Net other post-employment benefits asset	-	3,852,580
Net pension asset	385,020	612,843
Total assets	98,448,606	89,564,679
Deferred outflows of resources		
Pension	15,462,033	5,503,814
Other post-employment benefits	2,457,743	199,183
Total deferred outflows of resources	17,919,776	5,702,997
Total assets and deferred outflows of resources	\$ 116,368,382	\$ 95,267,676

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022 (As Restated)
Current liabilities		
Accounts payable	\$ 2,542,629	\$ 1,830,308
Accrued expenses	1,695,333	1,521,015
Estimated amounts due to third-party payors	1,150,769	70,719
Current portion lease liability	34,296	33,201
Current portion subscription-based information technology arrangements liability	195,385	26,162
Total current liabilities	5,618,412	3,481,405
Accrued compensated absences	1,603,109	1,408,957
Long-term lease liability	44,466	78,762
Long-term subscription-based information technology arrangements liability	362,140	43,100
Net pension liability	36,273,697	10,360,790
Net other post-employment benefits liability	795,621	-
Total liabilities	44,697,445	15,373,014
Deferred inflows of resources		
Pension	93,001	12,774,865
Other post-employment benefits	262,402	3,980,497
Total deferred inflows of resources	355,403	16,755,362
Total liabilities and deferred inflows of resources	45,052,848	32,128,376
Net position		
Net investment in capital assets	27,709,996	29,600,147
Restricted - expendable for		
Capital improvements	494,401	409,376
Other post-employment benefit	-	3,852,580
Pensions	385,020	612,843
Unrestricted	42,726,117	28,664,354
Total net position	71,315,534	63,139,300
Total liabilities, deferred inflows of resources and net position	\$ 116,368,382	\$ 95,267,676

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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

	2023	2022 (As Restated)
Operating revenues		
Net patient service revenue	\$ 67,010,646	\$ 61,274,473
Other operating revenue	1,595,511	1,032,664
Total operating revenue	68,606,157	62,307,137
Operating expenses		
Salaries and wages	23,822,343	23,007,793
Employee benefits	4,752,136	3,994,219
Pension expenses (benefits)	5,887,643	(755,524)
Other post-employment benefits	(1,328,454)	(3,256,516)
Supplies	11,354,195	9,941,489
Purchased services	7,740,939	6,527,190
Physician fees	4,860,659	3,830,498
Depreciation and amortization	3,742,325	3,641,653
Professional fees	146,727	128,667
Utilities	810,774	857,079
Insurance	385,408	342,858
Franchise fees	1,216,864	1,129,925
Other operating expense	524,839	316,081
Total operating expenses	63,916,398	49,705,412
Operating gains	4,689,759	12,601,725
Non-operating gains (losses)		
Investment income (losses)	1,561,235	(5,626,619)
Grant expense	(300,000)	(334,171)
Interest expense	(26,902)	(5,789)
Noncapital grants and gifts	1,974,239	3,528,585
Other non-operating gains (losses)	277,903	(21,249)
Total non-operating gains (losses)	3,486,475	(2,459,243)
Change in net position	8,176,234	10,142,482
Net position - beginning of year		
Beginning of year, as previously stated	63,139,300	52,971,422
Cumulative effect of accounting change	-	25,396
Net position - beginning of year, as restated	63,139,300	52,996,818
Net position - end of year	\$ 71,315,534	\$ 63,139,300

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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

	2023	2022 (As Restated)
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 67,070,441	\$ 61,894,363
Cash paid to employees for wages and benefits	(30,593,005)	(30,154,589)
Cash paid to vendors for services and goods	(27,371,351)	(22,494,478)
Other receipts, net	1,615,702	1,053,691
Net cash provided by operating activities	10,721,787	10,298,987
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,620,582)	(1,995,737)
Proceeds from sale of capital assets	270,230	3,600
Principal payments of lease obligations	(33,201)	(32,140)
Principal payments of subscription-based information technology arrangement obligations	(149,645)	(13,905)
Implementation costs of subscription-based information technology arrangement obligations	(76,250)	(24,530)
Interest paid	(26,902)	(5,789)
Net cash used in capital and related financing activities	(1,636,350)	(2,068,501)
Cash flows from noncapital financing activities		
Noncapital grants and gifts	1,974,239	1,213,765
Other noncapital financing receipts and payments, net	(264,823)	(341,183)
Net cash provided by noncapital financing activities	1,709,416	872,582
Cash flows from investing activities		
Interest and dividends on investments	374,479	800,180
Purchase of investments and assets limited as to use	(8,077,179)	(12,456,100)
Proceeds from sale and maturity of investments and assets limited as to use	810,928	159,470
Net cash flows used in investing activities	(6,891,772)	(11,496,450)
Change in cash and cash equivalents	3,903,081	(2,393,382)
Cash and cash equivalents - beginning of year	9,234,384	11,627,766
Cash and cash equivalents - end of year	\$ 13,137,465	\$ 9,234,384
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	\$ 12,728,440	\$ 8,931,146
Cash included in assets limited as to use	409,025	303,238
Total	\$ 13,137,465	\$ 9,234,384
Supplemental cash flow information		
Capital assets acquired under GASB 96	\$ 714,158	\$ 107,697

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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

	2023	2022 (As Restated)
Reconciliation of operating gain to net cash provided by operating activities:		
Operating gain	\$ 4,689,759	\$ 12,601,725
Adjustments to reconcile operating gain to net cash flows from operating activities:		
Depreciation and amortization	3,742,325	3,641,653
Provision for uncollectible accounts	6,278,511	6,210,023
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(7,298,766)	(5,411,749)
Estimated amounts due from and to third-party payors	1,080,050	(178,384)
Net pension asset and net pension liability	26,140,730	(6,463,323)
Net other post-employment benefits asset and liability	3,852,580	(1,781,743)
Deferred outflows of resources - pension	(9,958,219)	(2,820,213)
Deferred outflows of resources - other post employment benefits	(2,258,560)	871,982
Deferred inflows of resources - pension	(12,681,864)	5,427,776
Deferred inflows of resources - other post-employment benefits	(2,922,474)	(2,346,755)
Other assets and liabilities	57,715	547,995
Net cash provided by operating activities	\$ 10,721,787	\$ 10,298,987

See accompanying notes to financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Organization and Principles of Combination

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Use of Estimates

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

Proprietary Fund Accounting

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

Supplies

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

Other Receivables

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Notes Receivable

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

Capital Assets

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

Investments

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

Assets Limited as to Use

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

Deferred Outflows of Resources

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Compensated Absences

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

Deferred Inflows of Resources

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

Restricted Resources

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

Net Position

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

Operating Revenue and Expenses

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Net Patient Service Revenue

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

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

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

Charity Care

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

Of the Hospital's total reported operating expenses (approximately \$63,916,000 and \$49,705,000 during 2023 and 2022, respectively), an estimated \$91,000 and \$290,000 arose from providing services to charity patients during 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled approximately \$0 and \$638,000 for 2023 and 2022, respectively, and is reported as net patient service revenue in the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Contributions

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

Pension and Postemployment Benefits Other Than Pensions (OPEB)

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

Federal Income Tax

Highland County Joint Township District Hospital, as a political subdivision of the State of Ohio, is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. PSC, HDH Foundation, and HJTDH Foundation are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. PSC, HDH Foundation, and HJTDH Foundation are subject to federal income tax on any unrelated business taxable income. During the calendar years ending December 31, 2023 and 2022, the entities did not report any unrelated business income.

Risk Management

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

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

Subsequent Events

The Hospital has evaluated subsequent events through June 25, 2024, the date the financial statements were available to be issued.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

3. CHANGE IN ACCOUNTING PRINCIPLE

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

Statement of Net Position	As previously stated, December 31, 2022	Adjustment	As restated, December 31, 2022
Net position	\$ 63,115,823	\$ 23,477	\$ 63,139,300
Capital assets, net	29,688,633	92,739	29,781,372
Current portion of SBITA liability	-	26,162	26,162
Noncurrent portion of SBITA liability	-	43,100	43,100

Statement of Revenues, Expenses, and Changes in Net Position	As previously stated, December 31, 2022	Adjustment	As restated, December 31, 2022
Purchased services	\$ 6,542,520	\$ (15,330)	\$ 6,527,190
Interest expense	3,498	2,291	5,789
Depreciation and amortization	3,626,695	14,958	3,641,653
Net decrease in 2022 change in net position		\$ 1,919	

Statement of Cash Flows	As previously stated, December 31, 2022	Adjustment	As restated, December 31, 2022
Cash paid to vendors for goods and services	\$ (22,535,204)	\$ 40,726	\$ (22,494,478)
Principal payments of subscription-based information technology arrangement obligations	-	(13,905)	(13,905)
Implementation costs of subscription-based information technology arrangement obligations	-	(24,530)	(24,530)
Interest paid	(3,498)	(2,291)	(5,789)

4. DEPOSITS AND INVESTMENTS

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Custodial Credit Risk

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

At December 31, 2023 and 2022, \$13,276,124 and \$9,873,856 of the Hospital's bank balances of \$15,804,619 and \$13,339,453 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	13,276,124	9,873,856
Total	\$ 13,276,124	\$ 9,873,856

Investments

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

At December 31, 2023 and 2022, the Hospital had the following assets whose use is limited, investments and maturities:

December 31, 2023	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
Certificates of deposit	\$ 1,921,555	\$ 1,217,080	\$ 704,475
U.S. government agency bonds	42,743,511	-	42,743,511
	44,665,066	\$ 1,217,080	\$ 43,447,986
Mutual funds	52,583		
Corporate stocks	242,607		
Cash and cash equivalents	409,025		
Total	\$ 45,369,281		

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

December 31, 2022	Carrying Amount	Maturities	
		< than 1 year	> than 1 year
Certificates of deposit	\$ 1,814,854	\$ 1,566,301	\$ 248,553
Corporate bonds	181,579	-	181,579
U.S. government agency bonds	34,223,337	-	34,223,337
	36,219,770	\$ 1,566,301	\$ 34,653,469
Mutual funds	44,983		
Corporate stocks	242,496		
Cash and cash equivalents	303,238		
Total	\$ 36,810,487		

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023 and 2022, the Hospital's investments in U.S. government agency securities not directly guaranteed by the U.S. government were as follows:

Type	Fair Value	Rating	Rating Organization
December 31, 2023			
U.S. government agency bonds	\$ 27,509,769	AA+	Standard & Poor's
December 31, 2022			
U.S. government agency bonds	\$ 25,448,419	AA+	Standard & Poor's
Corporate bonds	\$ 181,579	AAA	Standard & Poor's

Custodial Credit Risk

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Cash deposits and investments of the Hospital are composed of the following as of December 31, 2023 and 2022:

	2023	2022
Deposits and money market accounts	\$ 13,137,465	\$ 9,234,384
Certificates of deposit	1,921,555	1,814,854
U.S. government agency bonds	42,743,511	34,223,337
Mutual funds	52,583	44,983
Corporate bond	-	181,579
Corporate stocks	242,607	242,496
	<u>\$ 58,097,721</u>	<u>\$ 45,741,633</u>
Total	<u>\$ 58,097,721</u>	<u>\$ 45,741,633</u>

	2023	2022
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 12,728,440	\$ 8,931,146
Assets limited as to use	950,476	855,664
Investments	44,418,805	35,954,823
	<u>\$ 58,097,721</u>	<u>\$ 45,741,633</u>
Total	<u>\$ 58,097,721</u>	<u>\$ 45,741,633</u>

5. FAIR VALUE MEASUREMENTS

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

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

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

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

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

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

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

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

The Hospital's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. No transfers between levels occurred in 2023 and 2022.

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

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government agency bonds	\$ -	\$ 42,743,511	\$ -	\$ 42,743,511
Mutual funds	52,583	-	-	52,583
Corporate stocks	242,607	-	-	242,607
	<u>\$ 295,190</u>	<u>\$ 42,743,511</u>	<u>\$ -</u>	<u>43,038,701</u>
Cash and cash equivalents				409,025
Certificates of deposit				1,921,555
Total				<u>\$ 45,369,281</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government agency bonds	\$ -	\$ 34,223,337	\$ -	\$ 34,223,337
Corporate bonds	-	181,579	-	181,579
Mutual funds	44,983	-	-	44,983
Corporate stocks	242,496	-	-	242,496
	<u>\$ 287,479</u>	<u>\$ 34,404,916</u>	<u>\$ -</u>	<u>34,692,395</u>
Cash and cash equivalents				303,238
Certificates of deposit				1,814,854
Total				<u>\$ 36,810,487</u>

6. PATIENT ACCOUNTS RECEIVABLE

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

	2023	2022
Patient accounts receivable	\$ 22,918,969	\$ 19,896,810
Less: Allowance for uncollectible accounts	(3,665,498)	(3,508,968)
Less: Allowance for contractual adjustments	(11,067,196)	(9,221,822)
Patient accounts receivable, net	<u>\$ 8,186,275</u>	<u>\$ 7,166,020</u>

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

	2023		2022	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	33%	50%	35%	49%
Medicaid	19%	21%	16%	22%
Self-pay	21%	3%	24%	3%
Commercial and other	27%	26%	25%	26%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

7. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

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

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

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

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

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements. Cost reports have been final settled through 2021 for Medicare.

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

8. CAPITAL ASSETS

Capital assets for the year ended December 31, 2023 were as follows:

	2022	Additions	Disposals	Transfers	2023
Non-depreciable capital assets:					
Land	\$ 290,137	\$ -	\$ -	\$ -	\$ 290,137
Construction in progress	32,704	1,000,245	-	(37,757)	995,192
Total non-depreciable capital assets	<u>322,841</u>	<u>1,000,245</u>	<u>-</u>	<u>(37,757)</u>	<u>1,285,329</u>
Depreciable capital assets:					
Land improvements	1,089,825	-	-	-	1,089,825
Buildings and leasehold improvements	40,144,657	140,843	(196,127)	15,480	40,104,853
Equipment	32,456,411	479,494	(221,350)	22,277	32,736,832
Total depreciable capital assets	<u>73,690,893</u>	<u>620,337</u>	<u>(417,477)</u>	<u>37,757</u>	<u>73,931,510</u>
Less accumulated depreciation:					
Land improvements	(829,900)	(38,585)	-	-	(868,485)
Buildings and leasehold improvements	(17,765,246)	(1,890,976)	196,127	-	(19,460,095)
Equipment	(25,838,423)	(1,641,190)	193,846	-	(27,285,767)
Total accumulated depreciation	<u>(44,433,569)</u>	<u>(3,570,751)</u>	<u>389,973</u>	<u>-</u>	<u>(47,614,347)</u>
Total depreciable assets, net	29,257,324	(2,950,414)	(27,504)	37,757	26,317,163
Intangible right-to-use assets:					
Leased equipment	175,218	-	-	-	175,218
SBITA assets	107,697	714,158	-	-	821,855
Total intangible right-to-use assets	<u>282,915</u>	<u>714,158</u>	<u>-</u>	<u>-</u>	<u>997,073</u>
Less accumulated amortization:					
Leased equipment	(66,750)	(33,375)	-	-	(100,125)
SBITA assets	(14,958)	(138,199)	-	-	(153,157)
Total accumulated amortization	<u>(81,708)</u>	<u>(171,574)</u>	<u>-</u>	<u>-</u>	<u>(253,282)</u>
Total intangible right-to-use assets, net	<u>201,207</u>	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>743,791</u>
Capital assets, net	<u>\$ 29,781,372</u>	<u>\$ (1,407,585)</u>	<u>\$ (27,504)</u>	<u>\$ -</u>	<u>\$ 28,346,283</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Capital assets for the year ended December 31, 2022 were as follows:

	2021	Additions	Disposals	Transfers	2022
Non-depreciable capital assets:					
Land	\$ 290,137	\$ -	\$ -	\$ -	\$ 290,137
Construction in progress	102,975	32,704	-	(102,975)	32,704
Total non-depreciable capital assets	393,112	32,704	-	(102,975)	322,841
Depreciable capital assets:					
Land improvements	1,089,825	-	-	-	1,089,825
Buildings and leasehold improvements	39,534,626	508,169	-	101,862	40,144,657
Equipment	32,116,842	1,454,864	(1,116,408)	1,113	32,456,411
Total depreciable capital assets	72,741,293	1,963,033	(1,116,408)	102,975	73,690,893
Less accumulated depreciation					
Land improvements	(791,315)	(38,585)	-	-	(829,900)
Buildings and leasehold improvements	(15,908,384)	(1,856,862)	-	-	(17,765,246)
Equipment	(25,239,121)	(1,697,873)	1,098,571	-	(25,838,423)
Total accumulated depreciation	(41,938,820)	(3,593,320)	1,098,571	-	(44,433,569)
Total depreciable assets, net	30,802,473	(1,630,287)	(17,837)	102,975	29,257,324
Intangible right-to-use assets:					
Leased equipment	175,218	-	-	-	175,218
SBITA assets	-	107,697	-	-	107,697
Total intangible right-to-use assets	175,218	107,697	-	-	282,915
Less accumulated amortization					
Leased equipment	(33,375)	(33,375)	-	-	(66,750)
SBITA assets	-	(14,958)	-	-	(14,958)
Total accumulated amortization	(33,375)	(48,333)	-	-	(81,708)
Total intangible right-to-use assets, net	141,843	59,364	-	-	201,207
Capital assets, net	\$ 31,337,428	\$ (1,538,219)	\$ (17,837)	\$ -	\$ 29,781,372

Intangible Right-to-use Assets

In 2022, the Hospital implemented the guidance in GASB Statement No. 87 - *Leases* and recognized the value of copiers leased under long-term contracts. In 2023, the Hospital implemented the guidance of GASB 96. Terms of leases and SBITAs are further described in Note 9.

9. LEASE AND SBITA LIABILITIES

In 2022, the Hospital implemented the guidance of GASB No. 87 - *Leases* for accounting and reporting leases that had previously been reported as operating leases. In 2023, the Hospital implemented the guidance of GASB 96 for accounting and reporting SBITAs that had previously not been reported on the statement of net position. Under these GASB statements, the Hospital recognized intangible right-to-use assets and corresponding lease and SBITA liabilities in the financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Under GABSs No. 87 and 96, lease and SBITA liabilities are measured at the present value of payments expected to be made during the lease and SBITA term. Subsequently, lease and SBITA liabilities are reduced by the principal portion of payments made. The intangible right-to-use lease and SBITA assets are initially measured at the initial amount of the lease and SBITA liability, adjusted for lease and SBITA payments made at or before lease and SBITA commencement, plus certain initial direct costs. Subsequently, the intangible right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and SBITAs include how the Hospital determines (1) the discount rate it uses to discount the expected lease and SBITA payments to present value, (2) lease and SBITA term, and (3) lease and SBITA payments. The Hospital uses the interest rate charged by the lessor or software subscription provider as the discount rate. When the interest rate is not charged by the lessor or software subscription provider, the Hospital uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs. The lease and SBITA terms are the noncancellable period of the lease or SBITA. Lease and SBITA payments included in the measurement of the lease and SBITA liability are comprised of fixed payments and purchase option price that the Hospital is reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its lease and SBITAs and will remeasure the lease and SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease and SBITA liability. There were no remeasurements for lease or SBITA liabilities in 2023 or 2022.

Lease Liabilities

The Hospital leases printers from Wells Fargo for a term of 63 months. The lease requires a minimum monthly lease payment of \$3,029. The Hospital will continue to make payments on the lease until the agreement expires in March 2026. For purposes of discounting future payments on the lease, the Hospital used an estimated incremental borrowing rate of 3.25% as the discount rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 8.

Remaining payments on the lease include:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,296	\$ 2,052	\$ 36,348
2025	35,428	921	36,349
2026	9,038	49	9,087
Totals	<u>\$ 78,762</u>	<u>\$ 3,022</u>	<u>\$ 81,784</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
\$ 111,963	\$ -	\$ (33,201)	\$ 78,762	\$ 34,296

December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
\$ 144,103	\$ -	\$ (32,140)	\$ 111,963	\$ 33,201

SBITA Liabilities

The Hospital’s SBITA agreements under GASB 96 relate to its financial reporting software and several software for revenue cycle needs. Terms of SBITA agreements range from 36 to 60 months. Agreements carry monthly payments of \$5,462, quarterly payments of \$7,665, or annual payments ranging from \$58,898 to \$80,233. For purposes of discounting future payments on the lease, the Hospital used an estimated incremental borrowing rate as the discount rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 8.

Remaining payments on SBITA liabilities at December 31, 2023, include:

	Principal	Interest	Total
2024	\$ 195,385	\$ 39,950	\$ 235,335
2025	194,144	25,861	220,005
2026	113,341	11,101	124,442
2027	54,655	4,243	58,898
	<u>\$ 557,525</u>	<u>\$ 81,155</u>	<u>\$ 638,680</u>

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

December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
\$ 69,262	\$ 637,908	\$ (149,645)	\$ 557,525	\$ 195,385

December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
\$ -	\$ 83,167	\$ (13,905)	\$ 69,262	\$ 26,162

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

10. ACCRUED EXPENSES

The details of accrued liabilities at December 31, 2023 and 2022, were as follows:

	2023	2022
Payroll and related amounts	\$ 270,214	\$ 650,281
Employee health insurance	469,337	464,338
Pension	489,206	406,396
Refundable advance	466,576	-
Total accrued liabilities	<u>\$ 1,695,333</u>	<u>\$ 1,521,015</u>

11. NET PATIENT SERVICE REVENUE

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

	2023	2022
Revenue:		
Inpatient services	\$ 15,722,440	\$ 16,903,819
Outpatient services	169,488,334	147,243,259
Total patient revenue	185,210,774	164,147,078
Revenue deductions:		
Provision for contractual allowances	111,656,955	95,705,597
Provision for bad debt allowances	6,278,511	6,210,023
Provision for charity care	264,662	956,985
Total revenue deductions	118,200,128	102,872,605
Total net patient service revenue	<u>\$ 67,010,646</u>	<u>\$ 61,274,473</u>

12. RETIREMENT PLANS

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

- 1) The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan – a defined contribution plan.
-

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Please see the Plan Statement in the OPERS 2021 Comprehensive Annual Financial Report for details.

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

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

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 10 years).

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

Traditional Plan	2023	2022
Net pension liability - all employers	\$ 29,540,043,780	\$ 8,700,404,651
Proportion of the net pension liability - Hospital	0.122795%	0.119084%
	\$ 36,273,697	\$ 10,360,790
Combined Plan	2023	2022
Net pension asset - all employers	\$ 235,689,691	\$ 394,005,071
Proportion of the net pension asset - Hospital	0.163359%	0.155542%
	\$ 385,020	\$ 612,843

The increase in pension liability is primarily due to actual earnings on investments being less than projected earnings on investments.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Pension (income) and expense for the years ending December 31, 2023 and 2022, was \$5,887,643 and (\$755,524), respectively.

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

	2023					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,204,860	\$ -	\$ 23,671	\$ 55,014	\$ 1,228,531	\$ 55,014
Net difference between projected and actual earnings on pension plan assets	10,339,143	-	140,318	-	10,479,461	-
Assumption changes	383,206	-	25,490	-	408,696	-
Change in proportionate share	577,704	-	2,481	32,348	580,185	32,348
Difference between Hospital contributions and proportionate share of contributions	-	3,712	-	1,927	-	5,639
Employer contributions subsequent to the measurement date	2,676,625	-	88,535	-	2,765,160	-
Total	\$ 15,181,538	\$ 3,712	\$ 280,495	\$ 89,289	\$ 15,462,033	\$ 93,001

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

	2022					
	Traditional Plan		Combined Plan		Total Defined Benefit Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 528,178	\$ 227,238	\$ 3,802	\$ 68,544	\$ 531,980	\$ 295,782
Net difference between projected and actual earnings on pension plan assets	-	12,323,783	-	131,384	-	12,455,167
Assumption changes	1,295,606	-	30,797	-	1,326,403	-
Change in proportionate share	881,917	-	3,323	18,108	885,240	18,108
Difference between Hospital contributions and proportionate share of contributions	-	3,768	-	2,040	-	5,808
Employer contributions subsequent to the measurement date	2,662,049	-	98,142	-	2,760,191	-
Total	\$ 5,367,750	\$ 12,554,789	\$ 136,064	\$ 220,076	\$ 5,503,814	\$ 12,774,865

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

	Traditional Plan	Combined Plan	Total Defined Benefit Plans
2024	\$ (1,903,488)	\$ 1,896	\$ (1,901,592)
2025	(2,540,911)	(18,245)	(2,559,156)
2026	(3,043,313)	(27,738)	(3,071,051)
2027	(5,013,489)	(65,272)	(5,078,761)
2028	-	5,468	5,468
Thereafter	-	1,220	1,220
Total	<u>\$ (12,501,201)</u>	<u>\$ (102,671)</u>	<u>\$ (12,603,872)</u>

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

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

Contribution Rates

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

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2023 and 2022, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to healthcare for the Traditional Pension Plan was 0.0% during calendar year 2023 and 2022. For the Combined Plan, the portion of employer contributions allocated to health care was 0% from January 1, 2022, to June 30, 2022, and was 2% from July 1, 2022, to December 31, 2023. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2022, remained consistent at 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2023 and 2022 was 4.0%.

Cost-of-Living Adjustments

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

Measurement Date

December 31, 2022

Actuarial Assumptions

Valuation Date: December 31, 2022

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.90%

Inflation: 2.75%

Projected Salary Increases: 2.75% - 10.75% for traditional plan, 2.75% - 8.25% for combined plan

Cost-of-Living Adjustments: 3.00% Simple for those retiring before January 7, 2013, 3.00% Simple for those retiring after January 7, 2013, through 2022, then 2.05% Simple.

Date of Last Experience Study

December 31, 2020

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Mortality Rates

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

Investment Return Assumptions

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

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

	Target Allocation	Long Term Expected Return *
Fixed Income	22%	2.6%
Domestic Equity	22%	4.6%
Real Estate	13%	3.3%
Private Equity	15%	7.5%
International Equity	21%	5.5%
Risk Parity	2%	4.4%
Other Investments	5%	3.3%
Total	100%	

* Returns presented as arithmetic means

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

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

Sensitivity of Traditional Plan Net Pension Liability to Changes in Discount Rate

1% Decrease (5.9%)	Current Rate (6.9%)	1% Increase (7.9%)
<u>\$ 54,336,788</u>	<u>\$ 36,273,697</u>	<u>\$ 21,248,447</u>

Sensitivity of Combined Plan Net Pension Asset to Changes in Discount Rate

1% Decrease (5.9%)	Current Rate (6.9%)	1% Increase (7.9%)
<u>\$ 200,932</u>	<u>\$ 385,020</u>	<u>\$ 530,917</u>

The amount of contributions recognized by the Hospital relating to pension for the years ending December 31, 2023 and 2022, were approximately \$2,765,000 and \$2,760,000, respectively.

13. OTHER POST-EMPLOYMENT BENEFITS

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

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

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

	2023	2022
Net OPEB asset (liability) - all employers	\$ (630,519,175)	\$ 3,132,153,063
Proportion of the net OPEB asset/liability - Hospital	0.126185%	0.123001%
	<u>\$ (795,621)</u>	<u>\$ 3,852,580</u>

OPEB benefit for the years ending December 31, 2023 and 2022, was \$1,328,454 and \$3,256,516, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 198,459
Net difference between projected and actual earnings on OPEB plan assets	1,580,130	-
Assumption changes	777,101	63,943
Change in proportionate share	41,205	-
Difference between Hospital contributions and proportionate share of contributions	(2,824)	-
Employer contributions subsequent to the measurement date	62,131	-
Total	<u>\$ 2,457,743</u>	<u>\$ 262,402</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 584,377
Net difference between projected and actual earnings on OPEB plan assets	-	1,836,639
Assumption changes	-	1,559,481
Change in proportionate share	115,096	-
Difference between Hospital contributions and proportionate share of contributions	28,048	-
Employer contributions subsequent to the measurement date	56,039	-
Total	<u>\$ 199,183</u>	<u>\$ 3,980,497</u>

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

2024	\$ (372,061)
2025	(581,839)
2026	(492,736)
2027	(748,705)
Total	<u>\$ (2,195,341)</u>

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and the Combined Pension Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses, and prescription drugs. The OPERS determines the amount, if any of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs. Effective January 1, 2022, eligible non-Medicare retirees are part of a connector program, similar to Medicare-enrolled retirees.

Contribution Rates

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

Employee contribution rates are expressed as a percentage of earnable salary of active members. In 2023 and 2022, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to healthcare for the Traditional Pension Plan was 0.0% during calendar year 2023 and 2022. For the Combined Plan, the portion of employer contributions allocated to healthcare was 0% from January 1, 2022, to June 30, 2022, and was 2% from July 1, 2022, to December 31, 2023. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2023 and 2022 was 4.0%.

Measurement Date

December 31, 2022, rolled forward from December 31, 2021, actuarial valuation date

Actuarial Assumptions

Valuation Date: December 31, 2021

Rolled Forward Measurement Date: December 31, 2022

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.00%

Inflation: 2.75%

Projected Salary Increases: 2.75% - 10.75%

Health Care Cost Trend: 5.50% initial, 3.50% ultimate through 2036

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Date of Last Experience Study

December 31, 2020

Mortality Rates

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

Investment Return Assumptions

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

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

Asset Class	Target Allocation	Long Term Expected Return *
Fixed Income	34%	2.6%
Domestic Equity	26%	4.6%
Real Estate	7%	4.7%
International Equity	25%	5.5%
Risk Parity	2%	4.4%
Other Investments	6%	1.8%
Total	<u>100%</u>	

* Returns presented as arithmetic means

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Discount Rate

A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, a single discount rate of 6.00% was used at the beginning of the year. 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) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

Health Care Cost Trend Rate

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

Sensitivity of Net OPEB Asset to Changes in Discount Rate

1% Decrease (4.22%)	Current Rate (5.22%)	1% Increase (6.22%)
\$ (2,707,930)	\$ (795,621)	\$ 782,347

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

1% Decrease (4.5%)	Current Rate (5.5%)	1% Increase (6.5%)
\$ (745,753)	\$ (795,621)	\$ 851,749

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The amount of contributions recognized by the Hospital relating to pension for the years ending December 31, 2023 and 2022, were approximately \$62,000 and \$56,000, respectively.

14. MEDICAL MALPRACTICE CLAIMS

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

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

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

15. SELF-INSURED BENEFITS

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

Activity in the Hospital's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	\$ 464,338	\$ 422,409
Current year claims incurred and changes in estimates for claims incurred in prior years	3,168,762	2,740,704
Claims and expenses paid	(3,163,763)	(2,698,775)
Balance, end of year	<u>\$ 469,337</u>	<u>\$ 464,338</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

16. BLENDED COMPONENT UNITS

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

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2023:

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 12,398,704	\$ 136,898	\$ 38,054	\$ 154,784	\$ -	\$ 12,728,440
Patient accounts receivable, net of allowances	7,925,784	260,491	-	-	-	8,186,275
Notes receivable, current portion	93,890	-	-	-	-	93,890
Other receivables	1,020,216	41,593	-	341,701	-	1,403,510
Supplies	604,978	-	-	30,676	-	635,654
Prepaid expenses and other current assets	1,216,746	67,511	-	-	-	1,284,257
Due from affiliate	-	402,715	-	-	(402,715)	-
Total current assets	23,260,318	909,208	38,054	527,161	(402,715)	24,332,026
Assets limited as to use						
Internally designated for specific purpose	452,955	-	-	-	-	452,955
Restricted by donors for capital improvements	95,495	-	-	402,026	-	497,521
Total assets limited as to use	548,450	-	-	402,026	-	950,476
Long-term investments	43,914,807	-	454,447	49,551	-	44,418,805
Notes receivable, net current portion	15,996	-	-	-	-	15,996
Capital assets, net	27,409,595	246,632	690,056	-	-	28,346,283
Net pension asset	385,020	-	-	-	-	385,020
Total assets	95,534,186	1,155,840	1,182,557	978,738	(402,715)	98,448,606
Deferred outflows of resources						
Pension	15,462,033	-	-	-	-	15,462,033
Other post-employment benefits	2,457,743	-	-	-	-	2,457,743
Total deferred outflows of resources	17,919,776	-	-	-	-	17,919,776
Total assets and deferred outflows of resources	\$ 113,453,962	\$ 1,155,840	\$ 1,182,557	\$ 978,738	\$ (402,715)	\$ 116,368,382

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current liabilities						
Accounts payable	\$ 2,372,729	\$ 160,620	\$ -	\$ 9,280	-	\$ 2,542,629
Accrued expenses	1,566,238	129,095	-	-	-	1,695,333
Estimated amounts due to third-party payors	1,150,769	-	-	-	-	1,150,769
Current portion lease liability	34,296	-	-	-	-	34,296
Current portion SBITA liability	195,385	-	-	-	-	195,385
Due to affiliate	386,752	-	-	15,963	(402,715)	-
Total current liabilities	5,706,169	289,715	-	25,243	(402,715)	5,618,412
Accrued compensated absences	1,603,109	-	-	-	-	1,603,109
Long-term lease liability	44,466	-	-	-	-	44,466
Long-term SBITA liability	362,140	-	-	-	-	362,140
Net pension liability	36,273,697	-	-	-	-	36,273,697
Net other post-employment benefits liability	795,621	-	-	-	-	795,621
Total liabilities	44,785,202	289,715	-	25,243	(402,715)	44,697,445
Deferred inflows of resources						
Pension	93,001	-	-	-	-	93,001
Other post-employment benefits	262,402	-	-	-	-	262,402
Total deferred inflows of resources	355,403	-	-	-	-	355,403
Total liabilities and deferred inflows of resources	45,140,605	289,715	-	25,243	(402,715)	45,052,848
Net position						
Net investment in capital assets	26,773,308	246,632	690,056	-	-	27,709,996
Restricted - expendable for						
Capital improvements	92,375	-	-	402,026	-	494,401
Pensions	385,020	-	-	-	-	385,020
Unrestricted	41,062,654	619,493	492,501	551,469	-	42,726,117
Total net position	68,313,357	866,125	1,182,557	953,495	-	71,315,534
Total liabilities, deferred inflows of resources and net position	<u>\$ 113,453,962</u>	<u>\$ 1,155,840</u>	<u>\$ 1,182,557</u>	<u>\$ 978,738</u>	<u>\$ (402,715)</u>	<u>\$ 116,368,382</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 64,262,638	\$ 2,987,634	\$ -	\$ -	\$ (239,626)	\$ 67,010,646
Other operating revenue	1,510,697	21,150	33,607	30,057	-	1,595,511
Total operating revenue	65,773,335	3,008,784	33,607	30,057	(239,626)	68,606,157
Operating expenses						
Salaries and wages	21,559,530	2,262,813	-	-	-	23,822,343
Employee benefits	4,446,249	305,887	-	-	-	4,752,136
Pension benefits	5,887,643	-	-	-	-	5,887,643
Other post-employment benefits	(1,328,454)	-	-	-	-	(1,328,454)
Supplies	11,280,332	26,844	-	47,019	-	11,354,195
Purchased services	5,356,264	2,346,278	-	38,397	-	7,740,939
Physician fees	5,100,285	-	-	-	(239,626)	4,860,659
Depreciation and amortization	3,703,634	16,193	22,498	-	-	3,742,325
Professional fees	146,727	-	-	-	-	146,727
Utilities	807,160	3,614	-	-	-	810,774
Insurance	311,574	73,834	-	-	-	385,408
Franchise fees	1,216,864	-	-	-	-	1,216,864
Other operating expense	192,256	312,266	-	20,317	-	524,839
Total operating expenses	58,680,064	5,347,729	22,498	105,733	(239,626)	63,916,398
Operating gains (losses)	7,093,271	(2,338,945)	11,109	(75,676)	-	4,689,759
Non-operating gains (losses)						
Investment income	1,539,439	-	16,873	4,923	-	1,561,235
Grant expense	(300,000)	-	-	-	-	(300,000)
Interest expense	(26,874)	(28)	-	-	-	(26,902)
Noncapital grants and gifts	1,376,731	-	-	597,508	-	1,974,239
Other non-operating gains	277,903	-	-	-	-	277,903
Total non-operating gains (losses)	2,867,199	(28)	16,873	602,431	-	3,486,475
Excess (deficit) of revenues over (under) expenses	9,960,470	(2,338,973)	27,982	526,755	-	8,176,234
Transfer to affiliates	(2,600,000)	2,600,000	-	-	-	-
Change in net position	7,360,470	261,027	27,982	526,755	-	8,176,234
Net position - beginning of year	60,952,887	605,098	1,154,575	426,740	-	63,139,300
Net position - end of year	<u>\$ 68,313,357</u>	<u>\$ 866,125</u>	<u>\$ 1,182,557</u>	<u>\$ 953,495</u>	<u>\$ -</u>	<u>\$ 71,315,534</u>
Cash provided by (used in):						
Operating activities	\$ 13,734,857	\$ (2,623,867)	\$ 33,607	\$ (422,810)	\$ -	\$ 10,721,787
Investing activities	(6,884,263)	-	402	(7,911)	-	(6,891,772)
Noncapital financing activities	1,111,908	-	-	597,508	-	1,709,416
Capital financing activities	(4,184,791)	2,593,070	-	(44,629)	-	(1,636,350)
Change in cash and cash equivalents	3,777,711	(30,797)	34,009	122,158	-	3,903,081
Cash and cash equivalents - beginning of year	8,680,575	167,695	4,045	382,069	-	9,234,384
Cash and cash equivalents - end of year	<u>\$ 12,458,286</u>	<u>\$ 136,898</u>	<u>\$ 38,054</u>	<u>\$ 504,227</u>	<u>\$ -</u>	<u>\$ 13,137,465</u>

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following is a summary of the financial position and activities of the blended component units as of and for the year ending December 31, 2022, as restated:

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 8,649,667	\$ 167,695	\$ 4,045	\$ 109,739	\$ -	\$ 8,931,146
Patient accounts receivable, net of allowances	6,883,969	282,051	-	-	-	7,166,020
Notes receivable, current portion	188,415	-	-	-	-	188,415
Other receivables	1,141,875	125,470	-	-	-	1,267,345
Supplies	598,692	-	-	-	-	598,692
Prepaid expenses and other current assets	227,261	50,691	-	-	-	277,952
Due from affiliate	2,152	-	-	-	(2,152)	-
Total current assets	17,692,031	625,907	4,045	109,739	(2,152)	18,429,570
Assets limited as to use						
Internally designated for specific purpose	446,288	-	-	-	-	446,288
Restricted by donors for capital improvements	92,375	-	-	317,001	-	409,376
Total assets limited as to use	538,663	-	-	317,001	-	855,664
Long-term investments	35,516,847	-	437,976	-	-	35,954,823
Notes receivable, net current portion	77,827	-	-	-	-	77,827
Capital assets, net	28,812,895	255,923	712,554	-	-	29,781,372
Net other post-employment benefits assets	3,852,580	-	-	-	-	3,852,580
Net pension asset	612,843	-	-	-	-	612,843
Total assets	87,103,686	881,830	1,154,575	426,740	(2,152)	89,564,679
Deferred outflows of resources						
Pension	5,503,814	-	-	-	-	5,503,814
Other post-employment benefits	199,183	-	-	-	-	199,183
Total deferred outflows of resources	5,702,997	-	-	-	-	5,702,997
Total assets and deferred outflows of resources	\$ 92,806,683	\$ 881,830	\$ 1,154,575	\$ 426,740	\$ (2,152)	\$ 95,267,676

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Current liabilities						
Accounts payable	\$ 1,706,891	\$ 123,417	\$ -	\$ -	\$ -	\$ 1,830,308
Accrued expenses	1,369,852	151,163	-	-	-	1,521,015
Estimated amounts due to third-party payors	70,719	-	-	-	-	70,719
Refundable advances	-	-	-	-	-	-
Current portion lease liability	33,201	-	-	-	-	33,201
Current portion SBITA liability	26,162	-	-	-	-	26,162
Due to affiliate	-	2,152	-	-	(2,152)	-
Total current liabilities	3,206,825	276,732	-	-	(2,152)	3,481,405
Accrued compensated absences	1,408,957	-	-	-	-	1,408,957
Long-term lease liability	78,762	-	-	-	-	78,762
Long-term SBITA liability	43,100	-	-	-	-	43,100
Net pension liability	10,360,790	-	-	-	-	10,360,790
Total liabilities	15,098,434	276,732	-	-	(2,152)	15,373,014
Deferred inflows of resources						
Pension	12,774,865	-	-	-	-	12,774,865
Other post-employment benefits	3,980,497	-	-	-	-	3,980,497
Total deferred inflows of resources	16,755,362	-	-	-	-	16,755,362
Total liabilities and deferred inflows of resources	31,853,796	276,732	-	-	(2,152)	32,128,376
Net position						
Net investment in capital assets	28,631,670	255,923	712,554	-	-	29,600,147
Restricted - expendable for						
Capital improvements	92,375	-	-	317,001	-	409,376
Other post-employment benefits	3,852,580	-	-	-	-	3,852,580
Pensions	612,843	-	-	-	-	612,843
Unrestricted	27,763,419	349,175	442,021	109,739	-	28,664,354
Total net position	60,952,887	605,098	1,154,575	426,740	-	63,139,300
Total liabilities, deferred inflows of resources and net position	\$ 92,806,683	\$ 881,830	\$ 1,154,575	\$ 426,740	\$ (2,152)	\$ 95,267,676

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminating	Total
Operating revenues						
Net patient service revenue	\$ 59,587,570	\$ 2,324,212	\$ -	\$ -	\$ (637,309)	\$ 61,274,473
Other operating revenue	1,307,226	22,639	32,947	-	(330,148)	1,032,664
Total operating revenue	60,894,796	2,346,851	32,947	-	(967,457)	62,307,137
Operating expenses						
Salaries and wages	20,963,278	2,044,515	-	-	-	23,007,793
Employee benefits	3,706,727	287,492	-	-	-	3,994,219
Pension benefits	(755,524)	-	-	-	-	(755,524)
Other post-employment benefits	(3,256,516)	-	-	-	-	(3,256,516)
Supplies	9,844,401	81,924	-	15,164	-	9,941,489
Purchased services	5,378,358	1,303,849	-	37,364	(192,381)	6,527,190
Physician fees	4,467,807	-	-	-	(637,309)	3,830,498
Depreciation and amortization	3,602,522	16,633	22,498	-	-	3,641,653
Professional fees	128,667	-	-	-	-	128,667
Utilities	854,679	2,400	-	-	-	857,079
Insurance	294,728	48,130	-	-	-	342,858
Franchise fees	1,129,925	-	-	-	-	1,129,925
Other operating expense	257,651	192,668	-	3,529	(137,767)	316,081
Total operating expenses	46,616,703	3,977,611	22,498	56,057	(967,457)	49,705,412
Operating gains (losses)	14,278,093	(1,630,760)	10,449	(56,057)	-	12,601,725
Non-operating gains (losses)						
Investment income (losses)	(5,628,543)	-	1,924	-	-	(5,626,619)
Grant expense	(336,712)	-	-	2,541	-	(334,171)
Interest expense	(5,789)	-	-	-	-	(5,789)
Noncapital grants and gifts	3,184,771	174,472	-	169,342	-	3,528,585
Other non-operating gains (losses)	(13,940)	13	(7,322)	-	-	(21,249)
Total non-operating gains (losses)	(2,800,213)	174,485	(5,398)	171,883	-	(2,459,243)
Excess (deficit) of revenues over (under) expenses	11,477,880	(1,456,275)	5,051	115,826	-	10,142,482
Transfer to affiliates	(1,500,000)	1,500,000	-	-	-	-
Change in net position	9,977,880	43,725	5,051	115,826	-	10,142,482
Net position - beginning of year						
Beginning of year, as previously stated	50,949,611	561,373	1,149,524	310,914	-	52,971,422
Cumulative effect of accounting change	25,396	-	-	-	-	25,396
Net position - beginning of year, as restated	50,975,007	561,373	1,149,524	310,914	-	52,996,818
Net position - end of year	\$ 60,952,887	\$ 605,098	\$ 1,154,575	\$ 426,740	\$ -	\$ 63,139,300
	Hospital	PSC	HDH Foundation	HJTDH Foundation	Eliminations	Total
Cash provided by (used in):						
Operating activities	\$ 11,879,125	\$ (1,597,656)	\$ 32,301	\$ (56,155)	\$ (302,213)	\$ 9,955,402
Investing activities	(11,410,663)	-	162	13,725	-	(11,396,776)
Noncapital financing activities	589,515	118,507	(7,352)	171,882	302,213	1,174,765
Capital financing activities	(3,527,775)	1,500,000	-	-	-	(2,027,775)
Change in cash and cash equivalents	(2,469,798)	20,851	25,111	129,452	-	(2,294,384)
Cash and cash equivalents - beginning of year	11,150,373	146,844	52,821	252,617	-	11,602,655
Cash and cash equivalents - end of year	\$ 8,680,575	\$ 167,695	\$ 77,932	\$ 382,069	\$ -	\$ 9,308,271

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

17. PROVIDER RELIEF FUND

During the Hospital's fiscal year 2022 and 2021, the Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Assurance Listing #93.498. Revenues from PRF grants are recognized to the extent of COVID-19 related additional expenses incurred and patient revenues lost as a result of the pandemic, as defined within grant guidance. In 2022, the Hospital recognized \$2,433,313 in revenue from PRF within noncapital grants and gifts.

18. GRANTS AND LOANS TO AFFILIATED ORGANIZATIONS

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

During 2014, the Hospital entered into a grant agreement with HHPC, whereby HHPC's operating losses, not to exceed \$1,500,000 on an annual basis, will be funded for the next two years with renewal options for successive one-year periods. Grant expense for 2023 and 2022 was \$300,000 and \$334,171, respectively, and is included in the statements of revenues, expenses and changes in net position. The agreement was renewed and in effect as of the date of the independent auditor's report.

During 2019, the Hospital executed two loan agreements with HHPC for \$26,250 and \$61,500. The loans are payable in forty-eight and sixty monthly installments beginning July 1, 2019, and March 1, 2019. Both agreements have an interest rate of 5%. During 2018, the Hospital executed a loan agreement with HHPC for \$775,000. The loan is payable in sixty monthly installments beginning July 1, 2019, at an interest rate of 5%. Notes receivable due from HHPC as of December 31, 2023 and 2022 were \$109,886 and \$266,242, respectively.

19. CONTINGENCY

Compliance Risks

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

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS, PENSION LIABILITIES, AND PENSION CONTRIBUTIONS (UNAUDITED)

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net pension liability	0.122795%	0.119084%	0.112401%	0.111355%	0.111603%	0.111383%	0.111762%	0.108875%	0.106145%
Hospital's proportionate share of the net pension liability	\$ 36,274,000	\$ 10,361,000	\$ 16,644,000	\$ 22,010,000	\$ 30,566,000	\$ 17,474,000	\$ 25,379,000	\$ 18,859,000	\$ 13,073,000
Hospital's proportion of the collective net pension asset	0.163359%	0.155542%	0.149957%	0.151075%	0.143324%	0.122397%	0.106786%	0.119100%	0.101665%
Hospital's proportionate share of the net pension asset	\$ 385,000	\$ 613,000	\$ 433,000	\$ 315,000	\$ 160,000	\$ 167,000	\$ 59,000	\$ 58,000	\$ 49,000
Hospital's covered payroll	\$ 19,770,000	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,385,000
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	183.48%	62.82%	99.21%	134.80%	194.85%	114.80%	170.68%	134.78%	97.67%
Hospital's proportionate share of the net pension asset as a percentage of its covered payroll	1.95%	3.72%	2.58%	1.93%	1.02%	1.10%	0.40%	0.41%	0.37%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	92.99%	87.19%	82.44%	74.90%	84.85%	77.38%	81.19%	81.19%

Schedule of Hospital's Contributions

Contractually required contribution	\$ 2,765,000	\$ 2,760,000	\$ 2,519,000	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contributions in relation to the contractually required contribution	\$ 2,765,000	\$ 2,760,000	\$ 2,519,000	\$ 2,309,000	\$ 2,286,000	\$ 2,149,000	\$ 1,979,000	\$ 1,784,000	\$ 1,679,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,563,000	\$ 19,770,000	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	14.0%	13.7%	13.8%	13.8%	13.7%	13.7%	13.0%	12.0%	12.0%

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

See report of independent auditors.

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

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

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

Schedule of Proportionate Share of the Net OPEB (Asset) Liability (rounding to the nearest 1,000)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Hospital's proportion of the collective net OPEB (asset) liability	0.126185%	0.123001%	0.116236%	0.116197%	0.116130%	0.115610%	*	*	*
Hospital's proportionate share of the net OPEB (asset) liability	\$ 796,000	\$ (3,853,000)	\$ (2,071,000)	\$ 16,050,000	\$ 15,141,000	\$ 12,554,000	*	*	*
Hospital's covered payroll	\$ 19,770,000	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000	\$ 13,992,000
Hospital's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	4.03%	(23.36%)	(12.35%)	98.30%	96.52%	82.48%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	94.79%	128.23%	115.57%	47.80%	46.30%	54.10%	*	*	*
Schedule of Hospital's Contributions									
Contractually required OPEB contribution	\$ 62,000	\$ 56,000	\$ 38,000	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contributions in relation to the contractually required contribution	\$ 62,000	\$ 56,000	\$ 38,000	\$ 40,000	\$ 48,000	\$ 46,000	\$ 198,000	\$ 335,000	\$ 280,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 19,563,000	\$ 19,770,000	\$ 16,492,000	\$ 16,776,000	\$ 16,328,000	\$ 15,687,000	\$ 15,221,000	\$ 14,869,000	\$ 13,992,000
Contributions as a percentage of covered payroll	0.0%	0.3%	0.2%	0.2%	0.3%	0.3%	1.0%	2.0%	2.0%

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

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

1. Defined Benefit Pension Plans

Changes of Benefit Terms:

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

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

Changes of Assumptions:

In 2021, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period of 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2020, used for the Hospital's 2021 fiscal year. Amounts reported in the Hospital's 2023 fiscal years for the OPERS pension plans reflect the following change of assumptions from the amounts reported for the 2020 fiscal year based on the experience study.

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

HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL AND AFFILIATES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

2. Defined Benefit Postemployment Benefits Other Than Pensions

Changes of Assumptions:

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

- Wage inflation assumption decreased from 3.25% to 2.75%.
- Actuarially assumed discount rate decreased from 6.0% to 5.22%
- Health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2036.



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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**

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

To the Board of Governors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Highland County Joint Township District Hospital and Affiliates (the "Hospital"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated June 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Westerville, Ohio
June 25, 2024

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OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND COUNTY JOINT TOWNSHIP DISTRICT HOSPITAL

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/15/2024

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

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