

**MORROW COUNTY HOSPITAL AND AFFILIATES**

**MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2023-2022**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Morrow County Hospital and Affiliates  
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We have reviewed the *Independent Auditor's Report* of the Morrow County Hospital and Affiliates, Morrow County, prepared by Baker Tilly US, LLP, 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 Morrow County Hospital and Affiliates is responsible for compliance with these laws and regulations.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

July 02, 2024

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# Morrow County Hospital and Affiliates

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## Independent Auditors' Report

To the Board of Trustees of  
Morrow County Hospital and Affiliates

### Report on the Audit of the Combined Financial Statements

#### **Opinion**

We have audited the accompanying combined financial statements of Morrow County Hospital and Affiliates, Morrow County, Ohio, a business-type activity of Morrow County, Ohio (Hospital), as of and for the years ended December 31, 2023 and 2022 and the related notes to the combined financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

#### **Basis for Opinion**

We conducted our audit 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 (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined 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.

#### **Responsibilities of Management for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 GAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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 4-11 and the required supplementary information, as listed in the table of contents be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined 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 combined financial statements and other knowledge we obtained during our audit of the basic combined 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 May 29, 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.

*Baker Tilly US, LLP*

New Castle, Pennsylvania  
May 29, 2024

# Morrow County Hospital and Affiliates

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Management's Discussion and Analysis  
December 31, 2023 and 2022

## Introduction

Morrow County Hospital, located in Mount Gilead, Ohio, is a county-owned, tax-exempt entity that operates an acute-care hospital facility providing quality, emergency, inpatient, outpatient and swing bed services to residents of Morrow County and surrounding areas. The reporting entity (the Hospital) is comprised of Morrow County Hospital and Morrow County Hospital Foundation, which provides services exclusively for the benefit of Morrow County Hospital. The Hospital is reported as an enterprise fund of Morrow County, Ohio. Morrow County Hospital is operated under Section 339 of the Ohio Revised Code.

This section of the Hospital's annual financial report presents management's discussion and analysis of the Hospital's financial performance and provides an overall review of the Hospital's financial position and activities as of and for the year ended December 31, 2023. This discussion should be read in conjunction with the accompanying combined financial statements and notes. The combined financial statements, notes and this management's discussion and analysis are the responsibility of the Hospital's management.

## Financial Highlights

- Effective January 1, 2023, the Hospital adopted Government Accounting Standards Board (GASB) Statement No. 96, *Subscription—Based Information Technology Arrangements*, (GASB 96), and restated its fiscal year 2022 financial statements to reflect the impact of GASB 96 adoption as of January 1, 2023. The accounting change was retroactively applied to the prior period. GASB 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases*. It defines a SBITA as a contract that conveys control of the right-to-use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs and requirements for note disclosures related to a SBITA. Adoption of the new standard did not have a material impact for the years ended December 31, 2023 and 2022, respectively.
- Combined results ended the year with an operating income of \$1,627,193 compared to an operating income of \$5,755,476 in 2022.
- The Combined Net Position increased by \$4,619,685 compared to a Combined Net Position increase in 2022 of \$7,827,427.
- The Combined Operating Revenues increased by \$1,894,274 or 7.67%, compared to 2022.
- The Combined Operating Expenses increased \$6,022,557 or 31.80% compared to 2022.
- Nonoperating revenue increased by \$920,541 or 44.43% compared to 2022.

The reasons for these outcomes are stated below:

## Combined Results

- Receipt of \$625,659 in Provider Relief Fund and American Rescue Plan Rural Distribution funds from State and Federal governments in 2023 compared to \$84,693 in 2022.

# Morrow County Hospital and Affiliates

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Management's Discussion and Analysis  
December 31, 2023 and 2022

## Operating Revenue

- Increased utilization of outpatient and swing bed services coupled with rate increases.

## Operating Expenses

- Operating expenses, excluding pension and other post-retirement benefits, increased \$2,164,754 due to increase in wages and benefits and purchased services to try and combat the staffing issues faced by the industry.

## Overview of the Combined Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as amended by GASB Statement No. 63, GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

The balance sheet, statement of revenues, expenses and changes in net position and statement of cash flows provide an indication of the Hospital's financial health. The balance sheet includes the Hospital's assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting as well as an indication about which assets can be utilized for general purposes and which are restricted for other purposes. The statement of revenues, expenses and changes in net position reports the revenues and expenses during the time periods indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for repayment of debt and capital asset acquisitions.

## The Combined Balance Sheet and Combined Statement of Operations and Changes in Net Position

The analysis of the Hospital's finances begins below. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Combined Balance Sheet and Statement of Operations 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 related changes. You can think of the Hospital's net position - the difference between assets and liabilities - as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

## Combined Statement of Cash Flows

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

# Morrow County Hospital and Affiliates

Management's Discussion and Analysis  
December 31, 2023 and 2022

## Financial Analysis of the Hospital at December 31, 2023 and 2022

Total assets increased 8.23% or \$2.66 million and total liabilities increased 80.23% or \$8.72 million. The Hospital's total net position increased by \$4.62 million to \$19.80 million, a significant increase from a year ago as shown in the following table:

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 7,219,703	\$ 6,865,559
Noncurrent assets, excluding capital assets	22,060,851	19,573,125
Capital assets, net	<u>5,691,107</u>	<u>5,874,471</u>
Total assets	34,971,661	32,313,155
Deferred outflows of resources	<u>6,238,758</u>	<u>1,719,888</u>
Total assets and deferred outflows of resources	<u>\$ 41,210,419</u>	<u>\$ 34,033,043</u>
Liabilities:		
Current liabilities	\$ 6,449,369	\$ 6,887,190
Noncurrent liabilities	<u>13,135,720</u>	<u>3,979,750</u>
Total liabilities	<u>19,585,089</u>	<u>10,866,940</u>
Deferred inflows of resources	<u>1,829,354</u>	<u>7,989,812</u>
Net position:		
Net invested in capital assets	5,356,521	5,306,809
Unrestricted	<u>14,439,455</u>	<u>9,869,482</u>
Total net position	<u>19,795,976</u>	<u>15,176,291</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 41,210,419</u>	<u>\$ 34,033,043</u>

The net pension liability (NPL) is the largest single liability reported by the Hospital at December 31, 2023 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27*. For fiscal year 2018, the Hospital adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Hospital's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

## Morrow County Hospital and Affiliates

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Management's Discussion and Analysis  
December 31, 2023 and 2022

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Hospital's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Hospital is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Hospital's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Hospital is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

## **Morrow County Hospital and Affiliates**

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Management's Discussion and Analysis  
December 31, 2023 and 2022

### **Current Assets**

Total current assets increased by \$354,144 from the previous year. Cash decreased by \$287,647 due to management investing unapplied cash during the current year. Patient accounts receivable increased by \$505,385 due to significant increase in charges for swing beds.

### **Noncurrent Assets, Excluding Capital Assets**

Noncurrent assets, consisting of limited use investments, general long-term investments and net pension assets increased by \$2,487,726, or 12.71%. The increase was primarily due to an increase in investments during the current year.

### **Capital Assets, Net**

Property and equipment decreased by \$183,364 or 3.12% in 2023 compared to 2022. The decrease was due to net additions and retirements of \$1,126,489 offset by depreciation expense of \$1,309,571.

### **Current Liabilities**

Current liabilities decreased \$437,821 over the prior year. The Hospital had a decrease of \$416,611 to account payable and a decrease of \$566,434 to accrued compensation and other liabilities. The decrease was offset by the increase in third-party settlement liability of \$551,330.

### **Long-Term Liabilities**

Long-term liabilities increased by \$9,155,970 or 230.06%, primarily due to an increase in the net pension liability. Additional details regarding the pension plan and OPEB can be found in Note 10 and 11, respectively, of the financial statements.

### **Net Position**

Total net position increased by \$4,619,685 primarily due to operating income of \$2,075,346 and nonoperating income of \$2,544,339 in current year.

## Morrow County Hospital and Affiliates

Management's Discussion and Analysis  
December 31, 2023 and 2022

### Operating Results and Changes in the Hospital's Net Position

Table 2 shows two years of revenues and expenses for 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues:		
Net patient service revenue	\$ 25,127,839	\$ 23,761,740
Other	1,460,095	931,920
Total operating revenues	<u>26,587,934</u>	<u>24,693,660</u>
Expenses:		
Salaries and wages	7,738,768	6,926,120
Employee benefits and payroll taxes	3,641,511	3,202,281
Pension and other post-retirement benefits	11,291	(3,846,512)
Operating supplies and expenses	4,084,140	3,865,347
Purchased services	7,354,658	6,718,765
Insurance	216,718	197,526
Utilities	461,149	483,240
Rental	142,935	90,375
Depreciation and amortization	1,309,571	1,301,042
Total operating expenses	<u>24,960,741</u>	<u>18,938,184</u>
Operating income	<u>1,627,193</u>	<u>5,755,476</u>
Nonoperating revenues (expenses):		
Investment income	819,568	113,712
Interest expense	(55,475)	(61,449)
Contributions	1,573	8,196
Other gains	625,659	460,485
Property taxes	1,424,116	1,387,241
Intergovernmental revenue	174,831	173,118
Gain (loss) on disposal of asset	2,220	(9,352)
Total net nonoperating revenues	<u>2,992,492</u>	<u>2,071,951</u>
Increase in net position	4,619,685	7,827,427
Net position, beginning	<u>15,176,291</u>	<u>7,348,864</u>
Net position, ending	<u>\$ 19,795,976</u>	<u>\$ 15,176,291</u>

### Operating Revenue

Operating revenue include all transactions that result in the sales and/or receipts from goods and services such as inpatient services and outpatient services. Operating revenue changes were a result of the following factors:

Net patient service revenue increased \$1,366,099, or 5.75%, from 2022. The Hospital's board of trustees approved a 3.0% rate increase effective January 1, 2023. Gross patient revenue is reduced by contractual allowances and discounts. Contractual allowances and discounts are the amounts that are not paid to the Hospital under contractual arrangements with Medicare, Medicaid and other payors. Contractual allowances and discounts are at approximately 51.4% of gross revenue.

# Morrow County Hospital and Affiliates

Management's Discussion and Analysis  
December 31, 2023 and 2022

## Operating Expenses

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

- Salaries and benefits increased by \$5,109,681 or 81.34% due to the losses from changes in OPEB and pension liabilities.

GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68 and GASB 75, pension and OPEB expense represents additional amounts earned, adjusted by deferred inflow/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68 and GASB 75, the statements report pension and OPEB expense above the contractually required contributions. Expense recorded under GASB 68 and 75 increased approximately \$10,200 compared to the contractually required contribution.

The following is a summary of 2023 operating expenses by type:

	<u>Percent</u>	<u>Amount</u>
Operating expenses:		
Salaries and benefits	45.6 %	\$ 11,391,570
Purchased services	29.4	7,354,658
Operating supplies and expenses	16.3	4,084,140
Depreciation and amortization	5.3	1,309,571
Rental	0.6	142,935
Utilities	1.9	461,149
Insurance	0.9	216,718
	<hr/>	<hr/>
Total	100.0 %	\$ 24,960,741

## Nonoperating Revenue (Expenses)

Nonoperating revenues and expenses are all sources and uses that are primarily nonexchange in nature. At the Hospital, these typically consist primarily of investment income, contributions, property tax levy funds, intergovernmental revenue and interest expense. Nonoperating revenue increased by \$920,541 in 2023 compared to 2022.

## Cash Flows

The statement of cash flows provides relevant information about the entity's cash receipts and cash payments. The statement of cash flows also helps assess:

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

Net cash provided by operating activities increased \$1,478,664 from the prior year due to an increase of \$3,109,847 in cash received from patients and third-party payors and an increase of \$528,175 in other receipts, net. Offset by an increase in cash paid to vendors for goods and services and cash payments to employees for wages and benefits of \$399,562 and \$1,759,796, respectively.



## **Morrow County Hospital and Affiliates**

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Management's Discussion and Analysis  
December 31, 2023 and 2022

Net cash used in capital and related financing activities decreased by \$38,761 from the prior year primarily due to a decrease in capital asset acquisitions.

Net cash provided by (used in) investing activities increased by \$14,159,381, which was due to management switching to a longer- term investment strategy in 2022. This resulted in investing less cash in the current year as current funds are being reinvested rather than investing additional cash. Net cash provided by noncapital financing activities increased by \$197,139. Increase in noncapital activities is due to a increase in federal and state government grants.

### **Economic Factors and Next Year's Budget**

The board of trustees approved the Morrow County Hospital 2024 operating budget in December 2023. The budget calls for operating revenue of \$25.8 million, total operating expenses of \$25.5 million and revenue over expense of \$2.3 million. The board of trustees approved an average increase of 3% in the patient charge structure for the upcoming fiscal year.

There are several factors and uncertainties that may affect the Hospital during 2023 and future years including:

- The economic position of the Hospital is influenced by the local economy. Compared to other Ohio counties, Morrow County has average unemployment, higher than average home values and average per capita income. While job growth in Morrow County is positive, the majority of Morrow County's population continues to seek employment outside the county. In many cases, patient flow has shifted closer to employment locations, updated care facilities and more comprehensive sites of care.
- The pandemic of 2020 has made healthcare systems look differently at the way they provide services. From telemedicine, hospitals cancelling nonessential procedures, to making changes to protect patients as well as associates from the virus.
- In 2012, the Governmental Accounting Standards Board passed standards 67 and 68, which require Ohio public employers to recognize on their financial statements their share of the net pension liability of Ohio's public retirement systems. For the Hospital, these standards became effective December 31, 2015. While the standard does not impact the Hospital's funding requirement, the reporting requirement may impact the hospital's ability to issue and secure new debt.
- In 2015, the Governmental Accounting Standards Board passed standards 75, which require Ohio public employers to recognize on their financial statements their share of the other post-employment benefits liability of Ohio's public retirement systems. For the Hospital, this standard became effective December 31, 2019. While the standard does not impact the Hospital's funding requirement, the reporting requirement may impact the Hospital's ability to issue and secure new debt.

### **Contacting the Hospital's Financial Management**

This financial report is intended to provide the people of Morrow County, state and federal governments and our debt holders with a general overview of the Hospital's finances. In addition, this report discloses the uses of the money received from services provided and county property taxes. If you have questions regarding the financial report or need additional information, we welcome you to contact the Controller, Jason Gates.

## Morrow County Hospital and Affiliates

Combined Balance Sheets  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,720,804	\$ 2,008,451
Patient accounts receivable, net of allowance; \$1,119,054 for 2023 and \$962,919 for 2022	3,052,163	2,546,778
Levied taxes receivable	1,598,948	1,560,359
Prepaid expenses and other	452,929	391,299
Inventory	394,859	358,672
Total current assets	<u>7,219,703</u>	<u>6,865,559</u>
<b>Noncurrent Assets</b>		
Assets limited as to use	5,075,359	5,063,540
Investments	16,800,690	12,937,816
Net OPEB asset	-	1,338,494
Net pension asset	184,802	233,275
Capital assets, net	5,691,107	5,874,471
Total noncurrent assets	<u>27,751,958</u>	<u>25,447,596</u>
Total assets	<u>34,971,661</u>	<u>32,313,155</u>
<b>Deferred Outflows of Resources</b>		
OPEB	809,885	-
Pension	5,428,873	1,719,888
Total deferred outflows of resources	<u>6,238,758</u>	<u>1,719,888</u>
Total assets and deferred outflows of resources	<u>\$ 41,210,419</u>	<u>\$ 34,033,043</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,519,164	\$ 1,935,775
Estimated third-party payor settlements	3,633,618	3,082,288
Accrued compensation and other liabilities	472,706	1,039,140
Accrued compensated absences	496,719	469,406
Current portion of lease liability	327,162	360,581
Total current liabilities	<u>6,449,369</u>	<u>6,887,190</u>
<b>Long-Term Liabilities</b>		
Lease Liability, net of current portion	7,424	207,081
Net pension liability	12,854,941	3,772,669
Net other post-employment benefits liability (OPEB)	273,355	-
Total long-term liabilities	<u>13,135,720</u>	<u>3,979,750</u>
Total liabilities	<u>19,585,089</u>	<u>10,866,940</u>
<b>Deferred Inflows of Resources</b>		
Property taxes levied for next fiscal year	1,598,948	1,560,359
OPEB	103,215	1,541,764
Pension	127,191	4,887,689
Total deferred inflow of resources	<u>1,829,354</u>	<u>7,989,812</u>
Total liabilities and deferred inflows	<u>21,414,443</u>	<u>18,856,752</u>
<b>Net Position</b>		
Net investment in capital assets	5,356,521	5,306,809
Unrestricted	14,439,455	9,869,482
Total net position	<u>19,795,976</u>	<u>15,176,291</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 41,210,419</u>	<u>\$ 34,033,043</u>

See notes to combined financial statements

## Morrow County Hospital and Affiliates

Combined Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for bad debts of \$2,488,763 in 2023 and \$1,837,425 in 2022	\$ 25,127,839	\$ 23,761,740
Other revenue	1,460,095	931,920
Total operating revenues	<u>26,587,934</u>	<u>24,693,660</u>
<b>Operating Expenses</b>		
Salaries and wages	7,738,768	6,926,120
Employee benefits and payroll taxes	3,641,511	3,202,281
Pension and other post retirement benefits	11,291	(3,846,512)
Operating supplies and expenses	4,084,140	3,865,347
Purchased services	7,354,658	6,718,765
Insurance	216,718	197,526
Utilities	461,149	483,240
Rental	142,935	90,375
Depreciation and amortization	1,309,571	1,301,042
Total operating expenses	<u>24,960,741</u>	<u>18,938,184</u>
Operating income	<u>1,627,193</u>	<u>5,755,476</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	819,568	113,712
Interest expense	(55,475)	(61,449)
Contributions	1,573	8,196
Other gains	625,659	460,485
Property taxes	1,424,116	1,387,241
Intergovernmental revenue	174,831	173,118
Gain (loss) on disposal of asset	2,220	(9,352)
Total net nonoperating revenues	<u>2,992,492</u>	<u>2,071,951</u>
Increase in net position	4,619,685	7,827,427
<b>Net Position, Beginning</b>	<u>15,176,291</u>	<u>7,348,864</u>
<b>Net Position, Ending</b>	<u>\$ 19,795,976</u>	<u>\$ 15,176,291</u>

See notes to combined financial statements

## Morrow County Hospital and Affiliates

Combined Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from patients and third-party payors	\$ 25,173,784	\$ 22,063,937
Cash paid to vendors for goods and services	(12,774,028)	(12,374,466)
Cash payments to employees for wages and benefits	(11,906,014)	(10,146,218)
Other receipts, net	1,460,095	931,920
	<u>1,953,837</u>	<u>475,173</u>
Net cash provided by operating activities		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisitions and construction of capital assets, net	(895,232)	(1,054,352)
Principal payments on lease liabilities	(461,831)	(335,498)
Interest paid on lease liabilities	(55,475)	(61,449)
	<u>(1,412,538)</u>	<u>(1,451,299)</u>
Net cash used in capital and related financing activities		
<b>Cash Flows From Investing Activities</b>		
Interest from investments	70,103	82,606
Net proceeds from sale (purchases) of investments and assets limited as to use	108,497	(14,063,387)
	<u>178,600</u>	<u>(13,980,781)</u>
Net cash provided by (used in) investing activities		
<b>Cash Flow From Noncapital Financing Activities</b>		
Contributions	1,573	8,196
Other nonoperating gains	625,659	460,485
Property tax levy/intergovernmental revenue	1,598,947	1,560,359
	<u>2,226,179</u>	<u>2,029,040</u>
Net cash provided by noncapital financing activities		
Net increase (decrease) in cash and cash equivalents	2,946,078	(12,927,867)
<b>Cash and Cash Equivalents, Beginning</b>	<u>5,116,084</u>	<u>18,043,951</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 8,062,162</u>	<u>\$ 5,116,084</u>

See notes to combined financial statements

## Morrow County Hospital and Affiliates

Combined Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>		
Cash and cash equivalents in current assets	\$ 1,720,804	\$ 2,008,451
Cash and cash equivalents in investments	6,334,131	2,822,858
Cash and cash equivalents in assets limited as to use	<u>7,227</u>	<u>284,775</u>
Total cash and cash equivalents	<u>\$ 8,062,162</u>	<u>\$ 5,116,084</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 1,627,193	\$ 5,755,476
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,309,571	1,301,042
Provision for bad debts	2,488,763	1,837,425
Increase in assets:		
Patient accounts receivable	(2,994,148)	(1,835,844)
Prepaid expenses and other	(61,630)	(615,913)
Inventories	(36,187)	(9,800)
Increase (decrease) in liabilities:		
Accounts payable	(416,611)	(376,158)
Accrued expenses and deferred inflows	(539,121)	713,724
Third-party settlement	551,330	(1,699,384)
Net pension and OPEB deferrals, assets, and liabilities	<u>24,677</u>	<u>(4,595,395)</u>
Net cash provided by operating activities	<u>\$ 1,953,837</u>	<u>\$ 475,173</u>
<b>Noncash Transaction</b>		
Capital assets, net acquired through vendor financing	<u>\$ 228,755</u>	<u>\$ -</u>

See notes to combined financial statements

# Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

## 1. Description of Reporting Entity and Summary of Significant Accounting Policies

### Reporting Entity

The accompanying combined financial statements include the accounts of Morrow County Hospital and Morrow County Hospital Foundation (collectively, the Hospital).

Morrow County Hospital is an acute care facility owned by and is a part of, Morrow County, Ohio and operated by a board of trustees. Members of the board of trustees are appointed by the County Commissioners, the Probate Court Judge and the Common Pleas Judge. The Hospital is a political subdivision of the State of Ohio and is therefore exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Hospital was formed under the provisions of the Ohio Revised Code.

During 1997, the Hospital formed Morrow County Hospital Foundation (the Foundation). The purpose of the Foundation is to support the Hospital and community programs to improve the health and well-being of the people served by the Hospital. The Foundation is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Total assets and net position of the Foundation for years ended December 31, 2023 and 2022 are \$2,308,643 and \$2,435,896, respectively, with assets consisting primarily of cash and cash equivalents and investments. (Decrease) increase in net position of the Foundation for the years ended December 31, 2023 and 2022, was \$(127,253) and \$67,773, respectively. The basic financial statements do not provide separate columns to reflect the Foundation because such amounts are not significant compared to the total amounts reflected for the Hospital. Refer to Note 16 for combining financial statements.

### Blended Component Unit

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, including sections amended/superseded by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in pre-November 30, 1989 FASB and AICPA pronouncements. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provide a comprehensive look at the Hospital's financial activities. The Foundation is required to be reported in the Hospital's combined financial statements.

### Enterprise Fund Accounting

The Hospital uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, as superseded by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in pre-November 30, 1989, FASB and AICPA pronouncements.

# Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

## Use of Estimates

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

The most significant of the Hospital's accounting policies are described below.

## Cash and Cash Equivalents

Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less.

## Patient Accounts Receivable

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

## Inventory

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

## Assets Limited as to Use

Investments set aside for board-designated purposes for future capital improvements (funded depreciation) are considered to be noncurrent assets limited as to use.

## Investments

Investments include cash and cash equivalents, demand deposits, money market accounts, certificates of deposit and government securities and are recorded at fair value in the combined balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating revenue when earned.

## Capital Assets

Capital assets are reported at historical cost. Contributed capital assets are recorded at their acquisition value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation over the expected useful lives of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying combined statements of revenue, expenses and changes in net position. Costs of maintenance and repairs are charged to expense when incurred.

# Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

## Accrued Compensated Absences

Paid time-off is charged to operations when earned. Unused and earned benefits are recorded as a liability in the financial statements. Employees accumulate vacation days and sick leave benefits at varying rates depending on years of service. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-fourth of the accumulated balance, up to a maximum of 240 hours, calculated at the employee's base pay rate as of the retirement date.

## Pensions/Other Postemployment Benefits (OPEB)

Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees' Retirement System (OPERS). The Hospital funds pension costs based on contribution rates determined by OPERS. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

## Lease Liabilities

The Hospital recognizes a lease liability and an intangible right-to-use lease asset in the combined financial statements. At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over its useful life.

Estimates related to leases include how the Hospital determines the discount rate used to discount the expected lease payments to present value, lease term and lease payments. The Hospital uses the interest rate charged by the lessor as the discount rate. If no rate is provided by the lessor, the Hospital uses its estimated incremental borrowing rate as the discount rate. The lease term includes noncancellable period of the lease including any extension options that are reasonably certain to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments.

## Contributions

The Hospital reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports the expiration of donor restrictions when the assets are placed in service.

## Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.



# Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

## Risk Management

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

## Net Patient Service Revenue and Patient Accounts Receivable

Normal billing rates for patient services less contractual adjustments and provisions for bad debts are included in net patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are recorded on the basis of preliminary estimates of the amounts to be received from third-party payors. Final adjustments are recorded in the period such amounts are finally determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 44% and 6%, respectively, of the Hospital's net patient revenue for the year ended December 31, 2023. Revenue from the Medicare and Medicaid programs accounted for approximately 46% and 5%, respectively, of the Hospital's net patient revenue for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

## Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The amount of charity care not recorded as revenue was approximately \$620,000 and \$614,000 in 2023 and 2022, respectively. The cost of caring for charity care patient for the years ended December 31, 2023 and 2022, was approximately \$276,000 and \$279,000, respectively. 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. The net amount received through this program totaled approximately \$2,075,000 and \$1,903,000 in 2023 and 2022, respectively. This amount is reported as net patient service revenue on the combined statements of revenues, expenses and changes in net position.

## Property Taxes

The Hospital has received financial support from property taxes in the years ended December 31, 2023 and 2022. Total funds received and used to support operations, including intergovernmental revenue, consisting of homestead and rollback, were \$1,598,948 and \$1,560,359 for the years ended December 31, 2023 and 2022. Property taxes are levied by the County on the Hospital's behalf on January 1 and are intended to finance the Hospital's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1.

# Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

The property tax calendar includes these dates:

Levy date	January 1
Lien date	January 1
Tax bill mailed	January 21
First installment payment due	February 16
Second installment payment due	July 13

Property taxes are considered delinquent on the day following each payment due date. In November 2021, the property tax levy was added to ballot and was approved for a renewal period of five years.

## Operating Revenues and Expenses

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

## Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

## Subsequent Events

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

## Recently Adopted Accounting Standards

GASB No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases*. It defines a SBITA as a contract that conveys control of the right-to-use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs and requirements for note disclosures related to a SBITA. The new standard is effective for financial statements for periods beginning after June 15, 2022. The adoption did not have a material impact on the Hospital's December 31, 2023 combined financial statements.

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

## 2. Deposits and Investments

Chapter 135 of the Ohio Uniform Depository 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. Section 135.14 of the Ohio Revised Code allows the local governmental to invest in United States Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the auditor of state, by the treasurer or governing board investing in these instruments.

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

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

### Active Funds

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

### Inactive Funds

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

### Interim Funds

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

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

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

Protection of the Hospital's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the treasurer by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution. At December 31, 2023 and 2022, the carrying amount of the Hospital's bank deposits for all funds was \$8,062,162 and \$5,116,084, respectively. The bank balance was \$8,478,510 and \$5,258,177 in 2023 and 2022, respectively. Of the bank balance, \$509,623 and \$518,472 for the years ended December 31, 2023 and 2022, respectively, are covered by Federal Depository Insurance. The amount not covered by FDIC was fully collateralized.

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

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

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As a result, the Hospital evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year-end, all Hospital bank deposits (certificates of deposit, checking and savings accounts) were fully collateralized.

### 3. Patient Accounts Receivable

Patient accounts receivable at December 31, 2023 and 2022, consisted of these amounts:

	<u>2023</u>	<u>2022</u>
Patient accounts receivable	\$ 8,144,109	\$ 6,837,170
Allowance for uncollectable accounts	(1,119,054)	(962,919)
Allowance for contractual adjustments	<u>(3,972,892)</u>	<u>(3,327,473)</u>
Patient accounts receivable, net	<u>\$ 3,052,163</u>	<u>\$ 2,546,778</u>

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Commercial insurance	50 %	52 %
Medicare and Managed Medicare	34	34
Medicaid and Managed Medicaid	9	9
Self-pay	<u>7</u>	<u>5</u>
	<u>100 %</u>	<u>100 %</u>

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

### 4. Cash and Cash Equivalents, Assets Limited as to Use and Investments

Cash and cash equivalents, assets limited as to use and investments of the Hospital are composed of the following as of December 31:

	<u>Fair Value 2023</u>	<u>Fair Value 2022</u>
Cash and cash equivalents, demand deposits and money market accounts	\$ 9,059,249	\$ 13,679,388
Certificates of deposit	740,408	842,597
U.S. Treasury Bonds	1,416,821	1,838,938
Fixed income	<u>12,380,375</u>	<u>3,648,884</u>
Total	<u>\$ 23,596,853</u>	<u>\$ 20,009,807</u>
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 1,720,804	\$ 2,008,451
Assets limited as to use	5,075,359	5,063,540
Investments	<u>16,800,690</u>	<u>12,937,816</u>
Total	<u>\$ 23,596,853</u>	<u>\$ 20,009,807</u>

### 5. Capital Assets

Capital assets additions, retirements and balances for the year ended December 31, 2023 was as follows:

	<u>December 31, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>December 31, 2023</u>
Capital assets:					
Land and land improvements	\$ 932,273	\$ 51,433	\$ -	\$ -	\$ 983,706
Buildings	6,043,030	148,981	-	-	6,192,011
Equipment	23,240,372	567,901	289,859	(30,765)	24,067,367
Right-to-use assets, building	759,349	-	-	-	759,349
Right-to-use assets, equipment	462,441	228,755	-	-	691,196
Construction in process	<u>719,431</u>	<u>129,419</u>	<u>(289,859)</u>	<u>-</u>	<u>558,991</u>
Total capital assets	<u>32,156,896</u>	<u>1,126,489</u>	<u>-</u>	<u>(30,765)</u>	<u>33,252,620</u>
Less accumulated depreciation and amortization for:					
Land and land improvements	785,985	25,533	-	-	811,518
Buildings	4,815,312	138,423	-	-	4,953,735
Equipment	20,027,000	683,784	-	(30,483)	20,680,301
Right-to-use assets	<u>654,128</u>	<u>461,831</u>	<u>-</u>	<u>-</u>	<u>1,115,959</u>
Total accumulated depreciation and amortization	<u>26,282,425</u>	<u>1,309,571</u>	<u>-</u>	<u>(30,483)</u>	<u>27,561,513</u>
Capital assets, net	<u>\$ 5,874,471</u>	<u>\$ (183,082)</u>	<u>\$ -</u>	<u>\$ (282)</u>	<u>\$ 5,691,107</u>

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

Capital assets additions, retirements and balances for the year ended December 31, 2022 were as follows:

	December 31, 2021	Additions	Transfers	Retirements	December 31, 2022
Capital assets:					
Land and land improvements	\$ 861,700	\$ 71,958	\$ -	\$ (1,385)	\$ 932,273
Buildings	6,035,451	140,351	-	(132,772)	6,043,030
Equipment	24,072,268	554,015	-	(1,385,911)	23,240,372
Right-to-use assets, building	759,349	-	-	-	759,349
Right-to-use assets, equipment	462,441	-	-	-	462,441
Construction in process	471,340	288,028	-	(39,937)	719,431
<b>Total capital assets</b>	<b>32,662,549</b>	<b>1,054,352</b>	<b>-</b>	<b>(1,560,005)</b>	<b>32,156,896</b>
Less accumulated depreciation and amortization for:					
Land and land improvements	759,592	26,393	-	-	785,985
Buildings	4,725,451	140,333	-	(50,472)	4,815,312
Equipment	20,728,363	798,818	-	(1,500,181)	20,027,000
Right-to-use assets	318,630	335,498	-	-	654,128
<b>Total accumulated depreciation and amortization</b>	<b>26,532,036</b>	<b>1,301,042</b>	<b>-</b>	<b>(1,550,653)</b>	<b>26,282,425</b>
<b>Capital assets, net</b>	<b>\$ 6,130,513</b>	<b>\$ (246,690)</b>	<b>\$ -</b>	<b>\$ (9,352)</b>	<b>\$ 5,874,471</b>

### 6. Estimated Third-Party Payor Settlements

Estimated third-party payor settlements consist of amounts due from (to) the Medicare and Medicaid programs for the settlement of current and prior year cost reports. The balances at December 31, 2023 and 2022, consist of estimated amounts as follows:

	2023	2022
Medicaid	\$ 181,966	\$ 767,417
Medicare	(3,815,584)	(3,849,705)
<b>Total</b>	<b>\$ (3,633,618)</b>	<b>\$ (3,082,288)</b>

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

### 7. Leases

The Hospital leases equipment and facilities under long-term agreements at market rates with terms expiring at various dates through 2025. The lease agreements qualify as other than short-term leases under GASB 87; therefore, have been recorded at the present value of the future minimum lease payments as of their date of inception.

Scheduled principal and interest repayments on leases are as follows as of December 31, 2023:

	<u>Principle</u>	<u>Interest</u>
2024	\$ 327,162	\$ 11,249
2025	7,424	95
Total	<u>\$ 334,586</u>	<u>\$ 11,344</u>

### 8. Long-Term Liabilities

A schedule of changes in the Hospital's long-term liabilities for 2023, are as follows:

	<u>December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2023</u>	<u>Amounts Due Within 1 year</u>
Other noncurrent liabilities:					
Lease liability	\$ 567,662	\$ 228,755	\$ 461,831	\$ 334,586	\$ 327,162
Net pension liability	3,772,669	9,082,272	-	12,854,941	-
Net OPEB liability	-	273,355	-	273,355	-
	<u>-</u>	<u>273,355</u>	<u>-</u>	<u>273,355</u>	<u>-</u>
Total long-term liabilities	<u>\$ 4,340,331</u>	<u>\$ 9,584,382</u>	<u>\$ 461,831</u>	<u>\$ 13,462,882</u>	<u>\$ 327,162</u>

A schedule of changes in the Hospital's long-term liabilities for 2022, are as follows:

	<u>December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2022</u>	<u>Amounts Due Within 1 year</u>
Other noncurrent liabilities:					
Lease liability	\$ 903,160	\$ -	\$ 335,498	\$ 567,662	\$ 360,581
Net pension liability	6,410,751	-	2,638,082	3,772,669	-
	<u>6,410,751</u>	<u>-</u>	<u>2,638,082</u>	<u>3,772,669</u>	<u>-</u>
Total long-term liabilities	<u>\$ 7,313,911</u>	<u>\$ -</u>	<u>\$ 2,973,580</u>	<u>\$ 4,340,331</u>	<u>\$ 360,581</u>

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

### 9. Net Patient Service Revenue

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

**Medicare** - Inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are based on fee schedules.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

**Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

**Other Payors** - The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 56,023,218	\$ 50,171,690
Less:		
Third-party allowances and other discounts	(28,406,616)	(24,572,525)
Bad debts	<u>(2,488,763)</u>	<u>(1,837,425)</u>
Net patient service revenue	<u>\$ 25,127,839</u>	<u>\$ 23,761,740</u>

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.



## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended December 31, 2023 and 2022 from these major payor sources, is as follows:

	2023		
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 25,277,385	\$ 2,339,217	\$ 27,616,602
2022			
	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 24,085,338	\$ 1,513,827	\$ 25,599,165

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicaid upper payment limits for services rendered by Ohio Public Hospitals to Ohio Medicaid consumers.

As disclosed in Note 6 to the accompanying combined financial statements, the Hospital has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid. The net patient service revenue for the years ended December 31, 2023 and 2022, was increased by approximately \$1,169,000 and \$1,530,000, respectively, as a result of settlements at amounts different than originally estimated.

### 10. Pension Plans

#### Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee, on a deferred-payment basis, as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the Hospital's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Hospital's obligation for the liability to annually required payments. The Hospital cannot control benefit terms or the manner in which pensions are financed; however, the Hospital does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension asset or net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in accrued compensation on the accrual basis of accounting.

## Plan Description, Ohio Public Employees Retirement System (OPERS)

### Plan Description

Hospital employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Hospital employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on the traditional and combined pension plans.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting, <https://www.opers.org/financial/reports.shtml> by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information):

<b>Group A</b> <b>Eligible to Retire Prior to</b> <b>January 7, 2013 or Five Years</b> <b>After January 7, 2013</b>	<b>Group B</b> <b>20 Years of Service Credit</b> <b>Prior to January 7, 2013 or</b> <b>Eligible to Retire 10 Years</b> <b>After January 7, 2013</b>	<b>Group C</b> <b>Members Not in Other Groups</b> <b>and Members Hired on or</b> <b>After January 7, 2013</b>
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements</b> Age 57 with 25 months of service credit or Age 62 with 5 years of service credit
<b>Formula</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

## Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

<b>Statutory Maximum Contributions Rates (State and Local)</b>	<b>2023</b>	<b>2022</b>
Employer	14 %	14 %
Employee	10	10

For 2023, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan. Effective July 1, 2023, OPERS increased the portion of the 14% employer contribution rate allocated to health care funding from 0.0% to 2.0% for the Combined Plan. For 2022, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan and the Combined Plan.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Hospital's contractually required contributions were \$1,066,372 and \$995,463 for 2023 and 2022, respectively. Of this amount, \$108,765 and \$94,165 for 2023 and 2022, respectively, was reported as an accrued compensation.

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

The net pension asset/liability for OPERS at December 31, 2023 and 2022 was measured as of December 31, 2022 and 2021, respectively. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension asset/liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all participating entities.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

Following is information related to the proportionate share and pension expense:

	<b>2023</b>		
	<b>OPERS Traditional Plan</b>	<b>OPERS Combined Plan</b>	<b>Total</b>
Proportionate share of the net pension asset	\$ -	\$ 184,802	\$ 184,802
Proportionate share of the net pension liability	\$ 12,854,941	\$ -	\$ 12,854,941
Proportion of the net pension asset/liability	0.0435170%	0.0784090%	
Pension expense	\$ 1,867,986	\$ 23,694	\$ 1,891,680
	<b>2022</b>		
	<b>OPERS Traditional Plan</b>	<b>OPERS Combined Plan</b>	<b>Total</b>
Proportionate share of the net pension asset	\$ -	\$ 233,275	\$ 233,275
Proportionate share of the net pension liability	\$ 3,772,669	\$ -	\$ 3,772,669
Proportion of the net pension asset/liability	0.043362%	0.059206%	
Pension (benefit)	\$ (630,712)	\$ (8,417)	\$ (639,129)

At December 31, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2023</b>			
	<b>Traditional Plan</b>		<b>Combined Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 426,988	\$ -	\$ 11,361	\$ 26,406
Changes of assumptions	135,803	-	12,235	-
Change in the Hospital's proportion	9,752	-	34,951	100,785
Net difference between projected and actual earnings on pension plan investments	3,664,061	-	67,350	-
Contributions subsequent to the measurement date	1,007,521	-	58,851	-
<b>Total</b>	<b>\$ 5,244,125</b>	<b>\$ -</b>	<b>\$ 184,748</b>	<b>\$ 127,191</b>

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

	2022			
	Traditional Plan		Combined Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,326	\$ 82,744	\$ 1,447	\$ 76,101
Changes of assumptions	471,768	-	11,723	-
Change in the Hospital's proportion	5,964	200,923	41,198	40,468
Net difference between projected and actual earnings on pension plan investments	-	4,487,453	-	-
Contributions subsequent to the measurement date	944,380	-	51,083	-
<b>Total</b>	<b>\$ 1,614,438</b>	<b>\$ 4,771,120</b>	<b>\$ 105,451</b>	<b>\$ 116,569</b>

\$1,066,372 and \$995,463 was reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the years ending December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined	Total
Years ended December 31:			
2024	\$ 507,220	\$ (6,362)	\$ 500,858
2025	855,959	3,957	859,916
2026	1,078,512	8,506	1,087,018
2027	1,794,913	20,000	1,814,913
2028	-	(9,650)	(9,650)
Thereafter	-	(17,745)	(17,745)
<b>Total</b>	<b>\$ 4,236,604</b>	<b>\$ (1,294)</b>	<b>\$ 4,235,310</b>

### Actuarial Assumptions, OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2023 and 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>December 31, 2023</b>		
<b>Actuarial Information</b>	<b>Traditional Plan</b>	<b>Combined Plan</b>
Wage Inflation	2.75%	2.75%
Future Salary Increases, Including Inflation	2.75% to 10.75%, including wage inflation	2.75% to 8.25%, including wage inflation
COLA or Ad Hoc COLA	2.05%, simple	2.05%, simple
Investment Rate of Return	6.90%	6.90%
Actuarial Cost Method	Individual entry age	Individual entry age

  

<b>December 31, 2022</b>		
<b>Actuarial Information</b>	<b>Traditional Plan</b>	<b>Combined Plan</b>
Wage Inflation	2.75%	2.75%
Future Salary Increases, Including Inflation	2.75% to 10.75%, including wage inflation	2.75% to 8.25%, including wage inflation
COLA or Ad Hoc COLA	2.05%, simple	2.05%, simple
Investment Rate of Return	6.90%	6.90%
Actuarial Cost Method	Individual entry age	Individual entry age

For the December 31, 2023 and 2022 actuarial valuation, mortality rates were based on the Pub-2010 General Mortality Tables. The most recent experience study was completed for the five-year period ended December 31, 2020.

The long-term 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the board of trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

The table below displays the board-approved asset allocation policy for 2023 and 2022 and the long-term expected real rates of return:

	<b>OPERS</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Allocation</b>	<b>Long-Term Expected Rate of Return</b>	<b>Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Asset class:				
Domestic equities	22 %	4.60 %	21 %	3.78 %
International equities	21	5.51	23	4.88
Fixed income	22	2.62	24	1.03
Real estate	13	3.27	11	3.66
Private equities	15	7.53	12	7.43
Risk parity	2	4.37	5	2.92
Other investments	5	3.27	4	2.85
	<u>100 %</u>		<u>100 %</u>	

### Discount Rate

The discount rate used to measure the total pension liability was 6.90% as of December 31, 2023 and 2022. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Hospital's proportionate share of the net pension liability calculated using the current period discount rate assumption, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<b>2023</b>		
	<b>1% Decrease 6.20%</b>	<b>Current Discount Rate 6.90%</b>	<b>1% Increase 8.20%</b>
Hospital's proportionate share of the net pension liability, traditional	\$ 19,256,273	\$ 12,854,941	\$ 7,530,182
Hospital's proportionate share of the net pension liability (asset), combined	(96,443)	(184,802)	(254,829)

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
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	<b>2022</b>		
	<b>1% Decrease 6.20%</b>	<b>Current Discount Rate 6.90%</b>	<b>1% Increase 8.20%</b>
Hospital's proportionate share of the net pension liability, traditional	\$ 9,946,809	\$ 3,772,669	\$ (1,365,036)
Hospital's proportionate share of the net pension liability (asset), combined	(174,066)	(233,275)	(279,452)

### 11. Defined Benefit OPEB Plans

#### Net Other Post-Retirement Employee Benefit Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions, between an employer and its employee, of salaries and benefits for employee services. OPEB are provided to an employee, on a deferred-payment basis, as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Hospital's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Hospital's obligation for this liability to annually required payments. The Hospital cannot control benefit terms or the manner in which OPEB are financed; however, the Hospital does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.



# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

## Plan Description, Other Post-Retirement Employee Benefit (OPEB)

### Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS board of trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023 and 2022, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. 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. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning July 1, 2023 increased to 2% for the traditional plan. The OPERS board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 and 2022 was 4.0%.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Hospital's contractually required contribution was \$5,984 and \$4,208 for 2023 and 2022, respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022 for year ended December 31, 2023 and December 31, 2020 rolled forward to the measurement date of December 31, 2021 for year ended December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Hospital's proportion of the net OPEB liability was based on the Hospital's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2023</u>	<u>2022</u>
Proportionate share of the net OPEB liability (asset)	\$ 273,355	\$ (1,338,494)
Proportionate of the net OPEB asset/liability	0.04335400%	0.04273400%
OPEB expense	\$ (478,500)	\$ (1,135,186)

At December 31, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 68,185
Net difference between projected and actual earnings on OPEB plan investments	542,893	-
Change in the Hospital's proportion	-	13,060
Changes of assumptions	266,992	21,970
Total	<u>\$ 809,885</u>	<u>\$ 103,215</u>
	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 203,029
Net difference between projected and actual earnings on OPEB plan investments	-	541,807
Change in the Hospital's proportion	-	638,100
Changes of assumptions	-	158,828
Total	<u>\$ -</u>	<u>\$ 1,541,764</u>

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

The Hospital reported \$0 as deferred outflows of resources related to OPEB resulting from Hospital contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the years ending December 31, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2024	\$ 76,575
2025	198,542
2026	169,292
2027	<u>262,262</u>
Total	<u>\$ 706,671</u>

## Actuarial Assumptions, OPEB

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022 and December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

December 31, 2023	
Actuarial Information	Traditional Plan
Wage Inflation	2.75%
Future Salary Increases, Including Inflation	2.75% to 10.75%, including wage inflation
Single Discount Rate:	
Current Measurement Rate	5.22%
Prior Measurement Rate	6.00%
Investment Rate of Return	6.00%
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2036
Actuarial Cost Method	Individual entry age
December 31, 2022	
Actuarial Information	Traditional Plan
Wage Inflation	2.75%
Future Salary Increases, Including Inflation	2.75% to 10.75%, including wage inflation
Single Discount Rate:	
Current Measurement Rate	6.00%
Prior Measurement Rate	6.00%
Investment Rate of Return	6.00%
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034
Actuarial Cost Method	Individual entry age

# Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

For both years 2023 and 2022, 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. Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2010. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the tables. The most recent experience study was completed for the five-year period ended December 31, 2020.

The long-term expected rate of return on health care 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Health Care portfolio is approved by the board of trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the board-approved asset allocation policy for 2023 and 2022 with the long-term expected real rates of return:

	<b>2023</b>	
	<b>Target Allocation</b>	<b>Weighted- Average Long-Term Expected Real Rate of Return (Geometric)</b>
Asset class:		
Fixed income	34.00 %	2.56 %
Domestic equities	26.00	4.60
Real estate	7.00	4.70
International equities	25.00	5.51
Risk parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00 %	
	<b>2022</b>	
	<b>Target Allocation</b>	<b>Weighted- Average Long-Term Expected Real Rate of Return (Geometric)</b>
Asset class:		
Fixed income	34.00 %	0.91 %
Domestic equities	25.00	3.78
Real estate	7.00	3.71
International equities	25.00	4.88
Risk parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

### Discount Rate

A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2023. A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and 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 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054 and the municipal bond rate was applied to all health care costs after that date.

### Sensitivity of the Hospital's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Hospital's proportionate share of the net OPEB liability calculated using the single discount rate, as well as what the Hospital's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

	<b>2023</b>		
	<b>1% Decrease (4.22%)</b>	<b>Current Discount Rate (5.22%)</b>	<b>1% Increase (6.22%)</b>
Hospital's proportionate share of the net liability (asset): OPEB	\$ 930,377	\$ 273,355	\$ (268,795)
	<b>2022</b>		
	<b>1% Decrease (5.00%)</b>	<b>Current Discount Rate (6.00%)</b>	<b>1% Increase (7.00%)</b>
Hospital's proportionate share of the net liability (asset): OPEB	\$ (787,160)	\$ (1,338,494)	\$ (1,796,110)

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

	2023		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Hospital's proportionate share of the net liability: OPEB	\$ 256,222	\$ 273,355	\$ 292,640

  

	2022		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Hospital's proportionate share of the net liability: OPEB	\$ (1,352,958)	\$ (1,338,494)	\$ (1,321,335)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 and 2022 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan 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.

## 12. Professional Liability Insurance

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 exceeding \$3,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the 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. No claims have been settled during the past three years that have exceeded policy coverage limits. There has not been a significant reduction in coverage from the prior year. The cost of this insurance policy represents the Hospital's cost for such claims for the past three years and it has been charged to operations as a current expense.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements  
December 31, 2023 and 2022

### 13. Affiliation

The Hospital contracts with OhioHealth for management, information technology, revenue cycle management and support and other support services. OhioHealth employs the Hospital's chief executive officer, director of Finance and controller (as of April 2023), and chief nursing officer/vice president of patient care services. The agreement expired on December 31, 2022. The Hospital extended the agreement to December 31, 2023. Expenses for services included in the combined statements of revenues, expenses and changes in net position at December 31, 2023 and 2022, consisted of these amounts:

	<u>2023</u>	<u>2022</u>
Employee salaries, benefits and payroll taxes	\$ 694,092	\$ 541,865
Purchased services	348,276	299,399
Affiliation fees	125,000	125,000
Other support services and resources	971,001	1,038,003
Total	<u>\$ 2,138,369</u>	<u>\$ 2,004,267</u>

Amounts due to OhioHealth for services amounted to approximately \$309,000 and \$254,000 at December 31, 2023 and 2022, respectively and have been included in accounts payable on the accompanying combined balance sheets.

### 14. Fair Value of Financial Instruments

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3 - Significant unobservable inputs that reflect a hospital's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

## Morrow County Hospital and Affiliates

Notes to Combined Financial Statements

December 31, 2023 and 2022

### Assets at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis.

	Total at December 31, 2023	Fair Value Measurement		
		Level 1	Level 2	Level 3
Assets limited as to use:				
Cash and cash equivalents	\$ 7,227	\$ 7,227	\$ -	\$ -
Demand deposits and money market accounts	560,666	560,666	-	-
U.S. Treasury bonds	449,480	-	449,480	-
Certificate of deposit	740,408	-	740,408	-
Fixed income	3,317,578	-	3,317,578	-
Total assets limited as to use	<u>\$ 5,075,359</u>	<u>\$ 567,893</u>	<u>\$ 4,507,466</u>	<u>\$ -</u>
Investments:				
Cash and cash equivalents	\$ 6,334,131	\$ 6,334,131	\$ -	\$ -
Demand deposits and money market accounts	436,421	436,421	-	-
U.S. Treasury bonds	967,341	-	967,341	-
Fixed income	9,062,797	-	9,062,797	-
Total	<u>\$ 16,800,690</u>	<u>\$ 6,770,552</u>	<u>\$ 10,030,138</u>	<u>\$ -</u>
	Total at December 31, 2022	Fair Value Measurement		
		Level 1	Level 2	Level 3
Assets limited as to use:				
Cash and cash equivalents	\$ 284,775	\$ 284,775	\$ -	\$ -
Demand deposits and money market accounts	511,134	511,134	-	-
U.S. Treasury bonds	857,900	-	857,900	-
Certificate of deposit	842,597	-	842,597	-
Fixed income	2,567,134	-	2,567,134	-
Total assets limited as to use	<u>\$ 5,063,540</u>	<u>\$ 795,909</u>	<u>\$ 4,267,631</u>	<u>\$ -</u>
Investments:				
Cash and cash equivalents	\$ 2,822,858	\$ 2,822,858	\$ -	\$ -
Demand deposits and money market accounts	8,052,170	8,052,170	-	-
U.S. Treasury bonds	981,038	-	981,038	-
Fixed income	1,081,750	-	1,081,750	-
Total	<u>\$ 12,937,816</u>	<u>\$ 10,875,028</u>	<u>\$ 2,062,788</u>	<u>\$ -</u>



## Morrow County Hospital and Affiliates

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

The Hospital has no assets or liabilities that are recorded at fair value on a nonrecurring basis.

**Cash and Cash Equivalents** - The carrying amounts reported on the combined balance sheets for cash and cash equivalents approximate fair value.

**Demand Deposits and Money Market Funds** - Fair value based on quoted market prices for similar securities in active markets that the Company has the ability to access at the measurement date.

**Fixed Income** - The Hospital's Level 2 securities in fixed income include investments in asset backed and other consumer debt, corporate debt, collateralized mortgage obligations, mortgage pass-through securities and municipal bonds which are valued based on quoted prices in inactive markets.

**U.S. Treasury Bonds** - Valuation inputs utilized by the independent pricing service for those U.S. Government securities under Level 2 include benchmark yields, reporting trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data including market research publications.

**Certificate of Deposit** - Generally valued at original cost plus accrued interest, which approximates fair value.

### 15. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has significantly impacted both the world and U.S. economies. Since March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions took preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

As a result of the COVID-19 pandemic, patient volumes and related revenues for certain services have been negatively impacted and expenses related to supplies such as personal protective equipment and other expenditures have been increasing.

Federal and state governments have passed legislation, promulgated regulations and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, which included, among other programs, the Provider Relief Fund (PRF) and the Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program. The American Rescue Plan Act of 2021 (ARPA) was enacted on March 11, 2021 and authorized additional distributions to hospitals and other health care providers through the Provider Relief Fund.

## **Morrow County Hospital and Affiliates**

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Notes to Combined Financial Statements  
December 31, 2023 and 2022

The material government funding received by the Hospital and the corresponding accounting for the funding, is outlined below:

### **Department of Health and Human Services (HHS) Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF)**

During the years ended December 31, 2023 and 2022, the Hospital received \$625,659 and \$84,693, respectively, in funding through the HHS PRF program. According to guidance provided by HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenues or COVID-19 expenses, the funds must be returned to HHS. Based on the Hospital's calculation of lost revenue and COVID-19 expenses, the Hospital has recognized \$625,659 and \$84,693, as other gains on the combined statements of revenues, expenses and changes in net position (deficit) during the years ended December 31, 2023 and 2022, respectively. As it relates to the amount recognized, the Hospital believes that the conditions for receipt and conditions for expenditure have both occurred during the years ended December 31, 2023 and 2022. While the Hospital has utilized all available current information in determining the proper utilization and accounting for these funds, additional regulatory guidance is expected that could have a material impact on how the Hospital has recognized PRF Funds.

### **16. Blended Component Unit**

Morrow County Hospital Health Services and Morrow County Hospital Foundation are considered blended component units under the criteria of GASB Statement No. 61. The following represents combining financial statements for the years ended 2023 and 2022.

**Morrow County Hospital and Affiliates**Combining Balance Sheet  
December 31, 2023

	<b>Morrow County Hospital</b>	<b>Morrow County Hospital Foundation</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,647,524	\$ 73,280	\$ -	\$ 1,720,804
Patient accounts receivable, net	3,052,163	-	-	3,052,163
Levied taxes receivable	1,598,948	-	-	1,598,948
Prepaid expenses and other	426,695	26,234	-	452,929
Inventory	394,859	-	-	394,859
Total current assets	7,120,189	99,514	-	7,219,703
<b>Noncurrent Assets</b>				
Assets limited as to use	5,074,267	1,092	-	5,075,359
Investments	14,592,653	2,208,037	-	16,800,690
Net pension asset	184,802	-	-	184,802
Capital assets, net	5,691,107	-	-	5,691,107
Total noncurrent assets	25,542,829	2,209,129	-	27,751,958
Total assets	32,663,018	2,308,643	-	34,971,661
<b>Deferred Outflows of Resources</b>				
OPEB	809,885	-	-	809,885
Pension	5,428,873	-	-	5,428,873
Total deferred outflows of resources	6,238,758	-	-	6,238,758
Total assets and deferred outflow of resources	\$ 38,901,776	\$ 2,308,643	\$ -	\$ 41,210,419
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,519,164	\$ -	\$ -	\$ 1,519,164
Estimated third-party payor settlements	3,633,618	-	-	3,633,618
Accrued compensation and other liabilities	472,706	-	-	472,706
Accrued compensated absences	496,719	-	-	496,719
Current portion of lease liability	327,162	-	-	327,162
Total current liabilities	6,449,369	-	-	6,449,369
<b>Long-Term Liabilities</b>				
Lease Liability, net of current portion	7,424	-	-	7,424
Net pension liability	12,854,941	-	-	12,854,941
Net other post-employment benefits liability (OPEB)	273,355	-	-	273,355
Total long-term liabilities	13,135,720	-	-	13,135,720
Total liabilities	19,585,089	-	-	19,585,089
<b>Deferred Inflows of Resources</b>				
Property taxes levied for next fiscal year	1,598,948	-	-	1,598,948
OPEB	103,215	-	-	103,215
Pension	127,191	-	-	127,191
Total deferred inflows of resources	1,829,354	-	-	1,829,354
Total liabilities and deferred inflows of resources	21,414,443	-	-	21,414,443
<b>Net Position</b>				
Net investment in capital assets	5,356,521	-	-	5,356,521
Unrestricted	12,130,812	2,308,643	-	14,439,455
Total net position	17,487,333	2,308,643	-	19,795,976
Total liabilities, deferred inflows of resources and net position	\$ 38,901,776	\$ 2,308,643	\$ -	\$ 41,210,419

## Morrow County Hospital and Affiliates

Combining Balance Sheet  
December 31, 2022

	Morrow County Hospital	Morrow County Hospital Foundation	Eliminating Entries	Total
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,688,022	\$ 320,429	\$ -	\$ 2,008,451
Patient accounts receivable	2,546,778	-	-	2,546,778
Levied taxes receivable	1,560,359	-	-	1,560,359
Prepaid expenses and other	391,299	-	-	391,299
Inventory	358,672	-	-	358,672
Total current assets	<u>6,545,130</u>	<u>320,429</u>	<u>-</u>	<u>6,865,559</u>
<b>Noncurrent Assets</b>				
Assets limited as to use	5,063,031	509	-	5,063,540
Investments	10,822,858	2,114,958	-	12,937,816
Net OPEB asset	1,338,494	-	-	1,338,494
Net pension asset	233,275	-	-	233,275
Capital assets, net	5,874,471	-	-	5,874,471
Total noncurrent assets	<u>23,332,129</u>	<u>2,115,467</u>	<u>-</u>	<u>25,447,596</u>
Total assets	<u>29,877,259</u>	<u>2,435,896</u>	<u>-</u>	<u>32,313,155</u>
<b>Deferred Outflows of Resources</b>				
OPEB	-	-	-	-
Pension	1,719,888	-	-	1,719,888
Total deferred outflows of resources	<u>1,719,888</u>	<u>-</u>	<u>-</u>	<u>1,719,888</u>
Total assets and deferred outflow of resources	<u>\$ 31,597,147</u>	<u>\$ 2,435,896</u>	<u>\$ -</u>	<u>\$ 34,033,043</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,935,775	\$ -	\$ -	\$ 1,935,775
Estimated third-party payor settlements	3,082,288	-	-	3,082,288
Accrued compensation and other liabilities	1,039,140	-	-	1,039,140
Accrued compensated absences	469,406	-	-	469,406
Current portion of lease liability	360,581	-	-	360,581
Total current liabilities	<u>6,887,190</u>	<u>-</u>	<u>-</u>	<u>6,887,190</u>
<b>Long-Term Liabilities</b>				
Lease liability, net of current portion	207,081	-	-	207,081
Net pension liability	3,772,669	-	-	3,772,669
Total long-term liabilities	<u>3,979,750</u>	<u>-</u>	<u>-</u>	<u>3,979,750</u>
Total liabilities	<u>10,866,940</u>	<u>-</u>	<u>-</u>	<u>10,866,940</u>
<b>Deferred Inflows of Resources</b>				
Property taxes levied for next fiscal year	1,560,359	-	-	1,560,359
OPEB	1,541,764	-	-	1,541,764
Pension	4,887,689	-	-	4,887,689
Total deferred inflows of resources	<u>7,989,812</u>	<u>-</u>	<u>-</u>	<u>7,989,812</u>
Total liabilities and deferred inflows of resources	<u>18,856,752</u>	<u>-</u>	<u>-</u>	<u>18,856,752</u>
<b>Net Position</b>				
Net investment in capital assets	5,306,809	-	-	5,306,809
Unrestricted	7,433,586	2,435,896	-	9,869,482
Total net position	<u>12,740,395</u>	<u>2,435,896</u>	<u>-</u>	<u>15,176,291</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 31,597,147</u>	<u>\$ 2,435,896</u>	<u>\$ -</u>	<u>\$ 34,033,043</u>

## Morrow County Hospital and Affiliates

Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2023

	<b>Morrow County Hospital</b>	<b>Morrow County Hospital Foundation</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Operating Revenues</b>				
Net patient service revenue	\$ 25,127,839	\$ -	\$ -	\$ 25,127,839
Other revenue	1,394,513	65,582	-	1,460,095
Total operating revenues	<u>26,522,352</u>	<u>65,582</u>	<u>-</u>	<u>26,587,934</u>
<b>Operating Expenses</b>				
Salaries and wages	7,738,768	-	-	7,738,768
Employee benefits and payroll taxes	3,641,511	-	-	3,641,511
Pension and other post retirement benefits	11,291	-	-	11,291
Operating supplies and expenses	3,788,036	296,104	-	4,084,140
Purchased services	7,354,658	-	-	7,354,658
Insurance	216,718	-	-	216,718
Utilities	461,149	-	-	461,149
Rental	142,935	-	-	142,935
Depreciation and amortization	1,309,571	-	-	1,309,571
Total operating expenses	<u>24,664,637</u>	<u>296,104</u>	<u>-</u>	<u>24,960,741</u>
Operating income (loss)	<u>1,857,715</u>	<u>(230,522)</u>	<u>-</u>	<u>1,627,193</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	717,872	101,696	-	819,568
Interest expense	(55,475)	-	-	(55,475)
Contributions	-	1,573	-	1,573
Other gains	625,659	-	-	625,659
Property taxes	1,424,116	-	-	1,424,116
Intergovernmental revenue	174,831	-	-	174,831
Gain on disposal of assets	2,220	-	-	2,220
Total net nonoperating revenues	<u>2,889,223</u>	<u>103,269</u>	<u>-</u>	<u>2,992,492</u>
Increase (decrease) in net position	<u>\$ 4,746,938</u>	<u>\$ (127,253)</u>	<u>\$ -</u>	<u>\$ 4,619,685</u>

## Morrow County Hospital and Affiliates

Combining Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2022

	<b>Morrow County Hospital</b>	<b>Morrow County Hospital Foundation</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Operating Revenues</b>				
Net patient service revenue	\$ 23,761,740	\$ -	\$ -	\$ 23,761,740
Other revenue	870,900	61,020	-	931,920
Total operating revenues	<u>24,632,640</u>	<u>61,020</u>	<u>-</u>	<u>24,693,660</u>
<b>Operating Expenses</b>				
Salaries and wages	6,926,120	-	-	6,926,120
Employee benefits and payroll taxes	3,202,281	-	-	3,202,281
Pension and other post retirement benefits	(3,846,512)	-	-	(3,846,512)
Operating supplies and expenses	3,848,284	17,063	-	3,865,347
Purchased services	6,718,765	-	-	6,718,765
Insurance	197,526	-	-	197,526
Utilities	483,240	-	-	483,240
Rental	90,375	-	-	90,375
Depreciation and amortization	1,301,042	-	-	1,301,042
Total operating expenses	<u>18,921,121</u>	<u>17,063</u>	<u>-</u>	<u>18,938,184</u>
Operating income	<u>5,711,519</u>	<u>43,957</u>	<u>-</u>	<u>5,755,476</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	98,092	15,620	-	113,712
Interest expense	(61,449)	-	-	(61,449)
Contributions	-	8,196	-	8,196
Other gains	460,485	-	-	460,485
Property taxes	1,387,241	-	-	1,387,241
Intergovernmental revenue	173,118	-	-	173,118
Loss on disposal of assets	(9,352)	-	-	(9,352)
Total net nonoperating revenues	<u>2,048,135</u>	<u>23,816</u>	<u>-</u>	<u>2,071,951</u>
Increase in net position	<u>\$ 7,759,654</u>	<u>\$ 67,773</u>	<u>\$ -</u>	<u>\$ 7,827,427</u>

## Morrow County Hospital and Affiliates

Combining Statement of Cash Flows  
Year Ended December 31, 2023

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
<b>Cash Flow From Operating Activities</b>					
Cash received from patients and third-party payors	\$ 25,173,784	\$ -	\$ -	\$ -	\$ 25,173,784
Cash payments to vendors for services and goods	(12,477,924)	-	(296,104)	-	(12,774,028)
Cash payments to employees for services	(11,906,014)	-	-	-	(11,906,014)
Other receipts, net	1,394,513	-	65,582	-	1,460,095
Net cash provided by (used in) operating activities	2,184,359	-	(230,522)	-	1,953,837
<b>Cash Flow From Capital and Related Financing Activities</b>					
<b>Acquisitions and construction of capital assets, net</b>					
Acquisitions and construction of capital assets, net	(895,232)	-	-	-	(895,232)
Principal payments on long-term obligations	(461,831)	-	-	-	(461,831)
Interest paid on long term obligations	(55,475)	-	-	-	(55,475)
Net cash used in capital and related financing activities	(1,412,538)	-	-	-	(1,412,538)
<b>Cash Flow From Investing Activities</b>					
Interest in investments	(31,593)	-	101,696	-	70,103
Purchase of investments	119,313	-	(119,313)	-	-
Net proceeds (purchases) from sale of investments and assets limited as to use	108,497	-	-	-	108,497
Net cash provided by (used in) investing activities	196,217	-	(17,617)	-	178,600
<b>Cash Flow From Noncapital Financing Activities</b>					
Contributions	-	-	1,573	-	1,573
Other nonoperating	625,659	-	-	-	625,659
Property tax levy/Intergovernmental revenue	1,598,947	-	-	-	1,598,947
Net cash provided by noncapital financing activities	2,224,606	-	1,573	-	2,226,179
Net increase (decrease) in cash and cash equivalents	3,192,644	-	(246,566)	-	2,946,078
<b>Cash and Cash Equivalents, Beginning</b>	4,795,146	-	320,938	-	5,116,084
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 7,987,790</u>	<u>\$ -</u>	<u>\$ 74,372</u>	<u>\$ -</u>	<u>\$ 8,062,162</u>

## Morrow County Hospital and Affiliates

Combining Statement of Cash Flows  
Year Ended December 31, 2022

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
<b>Cash Flow From Operating Activities</b>					
Cash received from patients and third-party payors	\$ 22,063,937	\$ -	\$ -	\$ -	\$ 22,063,937
Cash payments to vendors for services and goods	(12,357,403)	-	(17,063)	-	(12,374,466)
Cash payments to employees for services	(10,146,218)	-	-	-	(10,146,218)
Other receipts, net	870,900	-	61,020	-	931,920
Net cash provided by operating activities	431,216	-	43,957	-	475,173
<b>Cash Flow From Capital and Related Financing Activities</b>					
<b>Activities</b>					
Acquisitions and construction of capital assets, net	(1,054,352)	-	-	-	(1,054,352)
Principal payments on long-term obligations	(335,498)	-	-	-	(335,498)
Interest paid on long term obligations	(61,449)	-	-	-	(61,449)
Net cash used in capital and related financing activities	(1,451,299)	-	-	-	(1,451,299)
<b>Cash Flow From Investing Activities</b>					
Interest in investments	66,986	-	15,620	-	82,606
Purchase of (net proceeds from) investments	1,864,307	-	(1,864,307)	-	-
Net proceeds from sales (purchases) of investments and assets limited as to use	(14,063,387)	-	-	-	(14,063,387)
Net cash used in investing activities	(12,132,094)	-	(1,848,687)	-	(13,980,781)
<b>Cash Flow From Noncapital Financing Activities</b>					
Contributions	-	-	8,196	-	8,196
Other nonoperating	460,485	-	-	-	460,485
Property tax levy/Intergovernmental revenue	1,560,359	-	-	-	1,560,359
Net cash provided by noncapital financing activities	2,020,844	-	8,196	-	2,029,040
Net decrease in cash and cash equivalents	(11,131,333)	-	(1,796,534)	-	(12,927,867)
<b>Cash and Cash Equivalents, Beginning</b>	15,926,479	-	2,117,472	-	18,043,951
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 4,795,146</u>	<u>\$ -</u>	<u>\$ 320,938</u>	<u>\$ -</u>	<u>\$ 5,116,084</u>



**Morrow County Hospital and Affiliates**

Required Supplementary Information  
 Schedule of the Hospital's Contributions - (Ohio Public Employees Retirement System (OPERS))  
 December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

<b>Morrow County Hospital, Morrow County, Ohio</b>									
<b>Schedule of the Hospital's Contributions Last Nine Years</b>									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Ohio Public Employees' Retirement System (OPERS) Traditional Plan</b>									
Contractually required contribution	\$ 1,007,521	\$ 944,380	\$ 881,033	\$ 783,516	\$ 951,645	\$ 1,155,141	\$ 1,159,346	\$ 1,137,945	\$ 1,080,158
Contributions in relation to the contractually required contribution	<u>(1,007,521)</u>	<u>(944,380)</u>	<u>(881,033)</u>	<u>(783,516)</u>	<u>(951,645)</u>	<u>(1,155,141)</u>	<u>(1,159,346)</u>	<u>(1,137,945)</u>	<u>(1,080,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered payroll	\$ 7,196,579	\$ 6,745,571	\$ 6,293,093	\$ 5,596,543	\$ 6,797,464	\$ 8,251,007	\$ 8,918,046	\$ 9,482,875	\$ 9,001,317
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
<b>Ohio Public Employees' Retirement System (OPERS Combined Plan)</b>									
Contractually required contribution	\$ 58,851	\$ 51,083	\$ 37,788	\$ 26,065	\$ 26,493	\$ 42,853	\$ 40,383	\$ 37,589	\$ 38,935
Contributions in relation to the contractually required contribution	<u>(58,851)</u>	<u>(51,083)</u>	<u>(37,788)</u>	<u>(26,065)</u>	<u>(26,493)</u>	<u>(42,853)</u>	<u>(40,383)</u>	<u>(37,589)</u>	<u>(38,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered payroll	\$ 420,364	\$ 364,879	\$ 269,914	\$ 186,179	\$ 189,236	\$ 306,093	\$ 310,638	\$ 313,242	\$ 324,458
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provision of GASB 68. Information in these schedules has been determined as of the Hospital's most recent fiscal year-end.

**Morrow County Hospital and Affiliates**

Required Supplementary Information

Schedule of the Hospital's Proportionate Share of Net Pension Liability (Asset) - (Ohio Public Employees Retirement System (OPERS))

December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<b>Morrow County Hospital, Morrow County, Ohio</b>								
	<b>Schedule of the Hospital's Proportionate Share of the Net Pension Liability Last Nine Years</b>								
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Ohio Public Employees' Retirement System (OPERS) Traditional Plan</b>									
Hospital's proportion of the net pension liability (asset)	0.0435170%	0.0433620%	0.0432930%	0.0483140%	0.0610880%	0.0674840%	0.0733570%	0.0723230%	0.0752570%
Hospital's proportionate share of the net pension liability (asset)	\$ 12,854,941	\$ 3,772,669	\$ 6,410,751	\$ 9,549,735	\$ 16,730,765	\$ 10,586,931	\$ 16,658,127	\$ 12,527,255	\$ 9,076,835
Hospital's covered payroll	\$ 7,196,579	\$ 6,745,571	\$ 6,293,093	\$ 5,596,543	\$ 6,797,464	\$ 8,251,007	\$ 8,918,046	\$ 9,482,875	\$ 9,001,317
Hospital's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	178.63%	59.95%	114.55%	140.49%	202.77%	118.71%	186.79%	132.10%	98.38%
Plan fiduciary net pension as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.36%
<b>Ohio Public Employees' Retirement System (OPERS Combined Plan)</b>									
Hospital's proportion of the net pension liability (asset)	0.0784090%	0.0592060%	0.0463600%	0.0425100%	0.0715690%	0.0758480%	0.0804710%	0.0891600%	0.0702250%
Hospital's proportionate share of the net pension liability (asset)	\$ (184,802)	\$ (233,275)	\$ (133,824)	\$ (88,644)	\$ (80,030)	\$ (103,254)	\$ (44,788)	\$ (48,387)	\$ (27,038)
Hospital's covered payroll	\$ 420,364	\$ 364,879	\$ 269,914	\$ 186,179	\$ 189,236	\$ 306,093	\$ 310,638	\$ 313,242	\$ 324,458
Hospital's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(43.96)%	(66.43)%	(49.58)%	(47.61)%	(42.29)%	(33.73)%	(14.42)%	(15.45)%	8.33 %
Plan fiduciary net pension as a percentage of the total pension liability	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provision of GASB 68. Information in these schedules has been determined as of the measurement date (December 31, of the prior fiscal year) of the collective net pension liability (asset).

**Morrow County Hospital and Affiliates**

Required Supplementary Information

Schedule of the Hospital's Contributions - (Other Post-Retirement Employee Benefit (OPEB))

December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016

	<b>Morrow County Hospital, Morrow County, Ohio</b>							
	<b>Schedule of the Hospital's Contributions - OPEB Last Eight Years</b>							
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Ohio Public Employees' Retirement System (OPERS) Traditional Plan</b>								
Contractually required contribution	\$ 5,984	\$ 4,208	\$ 4,036	\$ 4,254	\$ 5,261	\$ 6,589	\$ 99,568	\$ 206,696
Contributions in relation to the contractually required contribution	<u>(5,984)</u>	<u>(4,208)</u>	<u>(4,036)</u>	<u>(4,254)</u>	<u>(5,261)</u>	<u>(6,589)</u>	<u>(99,568)</u>	<u>(206,696)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered payroll	\$ 7,766,542	\$ 7,215,637	\$ 6,663,903	\$ 5,889,072	\$ 7,118,221	\$ 9,393,413	\$ 9,410,700	\$ 10,065,453
Contributions as a percentage of covered payroll	0.08%	0.06%	0.06%	0.07%	0.07%	0.07%	1.06%	2.05%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provision of GASB 7. Information in these schedules has been determined as of the Hospital's most recent fiscal year-end.

**Morrow County Hospital and Affiliates**

Required Supplementary Information

Schedule of the Hospital's Proportionate Share of Net OPEB Liability (Asset) - (Other Post-Retirement Employee Benefit (OPEB))

December 31, 2023, 2022, 2021, 2020, 2019, 2018 and 2017

	<b>Morrow County Hospital, Morrow County, Ohio</b>						
	<b>Schedule of the Hospital's Proportionate Share of the Net OPEB Liability (Asset) Last Seven Years</b>						
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Ohio Public Employees' Retirement System (OPERS) Traditional Plan</b>							
Hospital's proportion of the net OPEB liability (asset)	0.0433540%	0.0427340%	0.0424390%	0.0471180%	0.0601310%	0.0664400%	0.0664400%
Hospital's proportionate share of the net OPEB liability (asset)	\$ 273,355	\$ (1,338,494)	\$ (756,085)	\$ 6,508,220	\$ 7,839,663	\$ 7,214,895	\$ 6,710,666
Hospital's covered payroll	\$ 7,766,542	\$ 7,215,637	\$ 6,663,903	\$ 5,889,072	\$ 7,118,221	\$ 9,393,413	\$ 9,410,700
Hospital's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	3.52 %	(20.09)%	(12.84)%	91.43%	110.14%	76.81%	66.67%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years which information for those years for which information has been determined under the provision of GASB 75. Information in these schedules has been determined as of the measurement date (December 31, of the prior fiscal year) of the collective net OPEB liability (asset).

# Morrow County Hospital and Affiliates

Notes to Pension and OPEB Required Supplemental Information Schedules  
December 31, 2023 and 2022

## 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 (2.20% 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 3.00% applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3.00%.

### Changes in Assumptions

In 2021, the OPERS' board of trustees' actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2021, used for the Hospital's 2022 fiscal year. The 2021 liability was based on an experience study for period 2016 through 2020, comparing assumptions to actual results.

Amounts reported in the Hospital's 2022 fiscal year for the OPERS plans reflect the following change of assumptions from the amounts reported for the 2021 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return and discount rate decreased from 7.20% to 6.90%.
- Projected salary decreased from 3.25% - 10.75% Traditional Plan and 3.25% - 8.25% Combined Plan to 2.75% - 10.75% for the Traditional Pension Plan and 2.75% - 8.25% for the Combined Plan.
- Wage inflation decreased from 3.25% to 2.75% for the Traditional Pension Plan and Combined Plan.
- There were no changes in assumptions in 2023.

## 2. Defined Benefit Postemployment Benefits Other Than Pensions

### Benefit Changes

There were no changes of benefit terms in 2023 and 2022.

### Changes in 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 5.50% initial, 3.5% ultimate in 2036.

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

Independent Auditors' Report

To the Board of Trustees of  
Morrow County Hospital and Affiliates

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 combined financial statements of Morrow County Hospital and Affiliates (the Hospital), which comprise the Hospital's combined balance sheet as of December 31, 2023, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 29, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined 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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's combined 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 combined 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

New Castle, Pennsylvania  
May 29, 2024

## **Morrow County Hospital and Affiliates**

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Schedule of Audit Findings and Responses  
Year Ended December 31, 2023

None noted.



## **Morrow County Hospital and Affiliates**

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Schedule of Prior Year Audit Findings and Responses  
Year Ended December 31, 2023

### **Finding 2022-001: Significant Deficiency in Internal Controls Related Financial Reporting**

*Condition:* During the 2022 audit, we noted that the Hospital did not post the prior year proposed audit adjustments. Operating expenses were overstated in 2022 by \$121,919.

*Recommendation:* We recommend that management institute systematic controls and processes to ensure that the financial reporting are addressed accurately and timely on an on-going basis.

*Current Status:* The Hospital has developed and implemented controls over the accounting and financial reporting process. Monthly reconciliations are being performed and internal financial statements are being produced and presented to the board of trustees.

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# OHIO AUDITOR OF STATE KEITH FABER



**MORROW COUNTY HOSPITAL AND AFFILIATES**

**MORROW COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/16/2024**

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

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