HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2012 AND 2011

CPAS / ADVISORS

blue

Dave Yost • Auditor of State

Board of Trustees
Highland County Joint Township Hospital District
1275 N. High Street
Hillsboro, Ohio 45133

We have reviewed the *Report of Independent Auditors* of the Highland County Joint Township Hospital District, Highland County, prepared by Blue & Co., LLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

May 7, 2013

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HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

TABLE OF CONTENTS
DECEMBER 31, 2012 AND 2011

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CPAs ADVISORS

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REPORT OF INDEPENDENT AUDITORS

Highland County Joint Township Hospital District
Highland County
1275 North High St.
Hillsboro, Ohio 45133

To the Board of Trustees and Hospital Board of Governors:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities of Highland County Joint Township Hospital District (the Hospital) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic consolidated financial statements. Although this information is not part of the basic consolidated financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the Hospital's basic consolidated financial statements taken as a whole. The consolidating information on pages 33 through 38 present additional analysis and is not a required part of the basic consolidated financial statements.

The consolidating balance sheets and consolidating statements of operations and changes in net position are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. We subjected these consolidating statements to the auditing procedures we applied to the basic consolidated financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Columbus, Ohio
March 27, 2013

The discussion and analysis of Highland County Joint Township Hospital District's (the Hospital) consolidated financial statements provides an overview of the Hospital's financial activities for the years ended December 31, 2012 and 2011. The financial statements reflect consolidated information for the Hospital and blended component units, therefore, management's discussion and analysis will focus on the consolidated financial statements. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

The Hospital's total assets and deferred outflows decreased $181,998 and total liabilities decreased by $1,804,833 during the year ended December 31, 2012. Net position increased $1,622,835, or 6.8%, in 2012. The increase in net position was a result of income from operations of $1,721,561 less total non-operating losses of $98,726.

Using This Annual Report

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

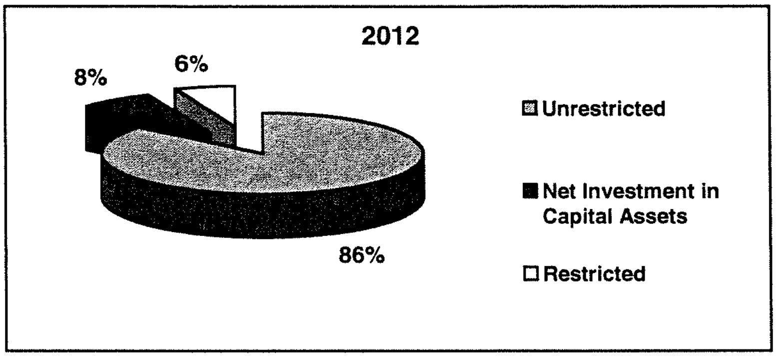
The Balance Sheet and Statement of Operations and Changes in Net Position

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

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

The Hospital's Net Position

The following chart provides a breakdown of net position by category at December 31, 2012.



For the year ended December 31, 2012, the Hospital's income from operations and total non-operating losses resulted in an increase in net position of $1,622,835 compared to a $1,172,530 increase in 2011.

Condensed Financial Information

The following is a comparative analysis of the major components of the balance sheet of the Hospital as of December 31, 2012, 2011 and 2010:

	December 31		
	2012	2011	2010
Assets:			
Current assets	$ 12,004,579	$ 13,747,529	$ 14,068,115
Noncurrent assets	15,900,089	13,021,589	10,633,933
Capital assets	10,780,023	12,075,911	13,906,897
Deferred outflows	897,488	919,148	672,204
Total assets and deferred outflows	$ 39,582,179	$ 39,764,177	$ 39,281,149
Liabilities:			
Current liabilities	$ 4,128,550	$ 5,112,535	$ 5,004,794
Long-term liabilities	9,855,734	10,676,582	11,473,825
Total liabilities	$ 13,984,284	$ 15,789,117	$ 16,478,619
Net position:			
Net investment in capital assets	$ 2,010,023	$ 2,450,911	$ 3,231,100
Restricted	1,540,424	1,520,120	1,484,877
Unrestricted	22,047,448	20,004,029	18,086,553
Total net position	$ 25,597,895	$ 23,975,060	$ 22,802,530

During 2012, current assets decreased by 12.7%, driven by purchases of long-term investments during 2012. Noncurrent assets increased during 2012 primarily as a result of these purchases. Total liabilities decreased 11.4% during the year due to repayment of long-term debt and a decrease in estimated amounts due to third parties. Net position invested in capital assets decreased 18% primarily due to current year depreciation exceeding fixed asset additions.

Operating Results and Changes in the Hospital's Net Position

	Year Ended December 31		
	2012	2011	2010
Operating revenues			
Net patient service revenue	$ 43,288,364	$ 44,552,678	$ 43,975,032
Other operating revenue	2,051,672	707,235	716,177
Total operating revenues	45,340,036	45,259,913	44,691,209
Operating expenses			
Salaries and wages	16,938,830	17,249,681	18,162,210
Employee benefits	6,997,280	7,242,740	5,537,448
Supplies	6,973,453	7,185,889	7,533,637
Purchased services	5,396,728	4,882,574	5,100,815
Physician fees	1,586,746	1,743,601	1,713,162
Depreciation and amortization	2,468,716	2,639,090	2,833,186
Professional fees	166,051	146,641	103,906
Utilities	949,027	971,842	974,720
Insurance	489,623	487,610	483,548
Other	1,652,021	1,316,567	1,537,279
Total operating expenses	43,618,475	43,866,235	43,979,911
Income from operations	1,721,561	1,393,678	711,298
Non-operating gains (losses)			
Investment income	60,675	33,933	17,984
Capital grants	53,800	22,785	89,188
Interest earned on restricted assets	109,885	156,252	95,125
Interest expense	(384,082)	(453,541)	(498,579)
Other non-operating gains	60,996	19,423	(98)
Total non-operating losses	(98,726)	(221,148)	(296,380)
Excess of revenue over expenses	1,622,835	1,172,530	414,918
Net position - beginning of year	23,975,060	22,802,530	22,387,612
Net position - end of year	$ 25,597,895	$ 23,975,060	$ 22,802,530

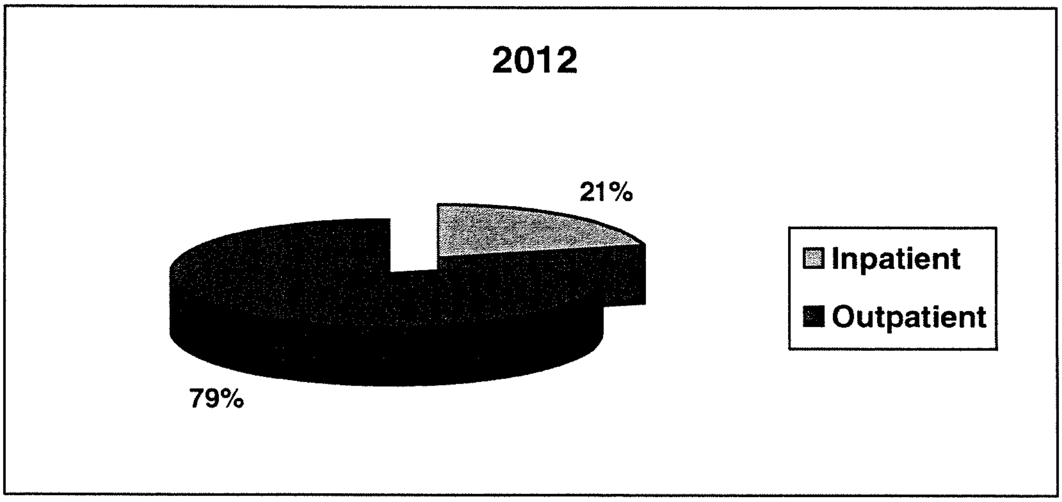
Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were a result of the following factors:

- Net patient service revenue decreased by 2.8% in 2012. This was attributable to changes in patient volume and increased deductions from revenue which were offset by rate increases. Gross patient revenue is reduced by revenue deductions in determining net patient revenue. These deductions include amounts not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, and commercial payors as well as amounts related to self-pay patients that qualify for charity write-offs based on pre-established financial need criteria and bad debts. These revenue deductions increased from 55.0% in 2011 to 55.9% of gross revenue in 2012.

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



Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The significant operating expense changes from 2011 to 2012 were the result of the following factors:

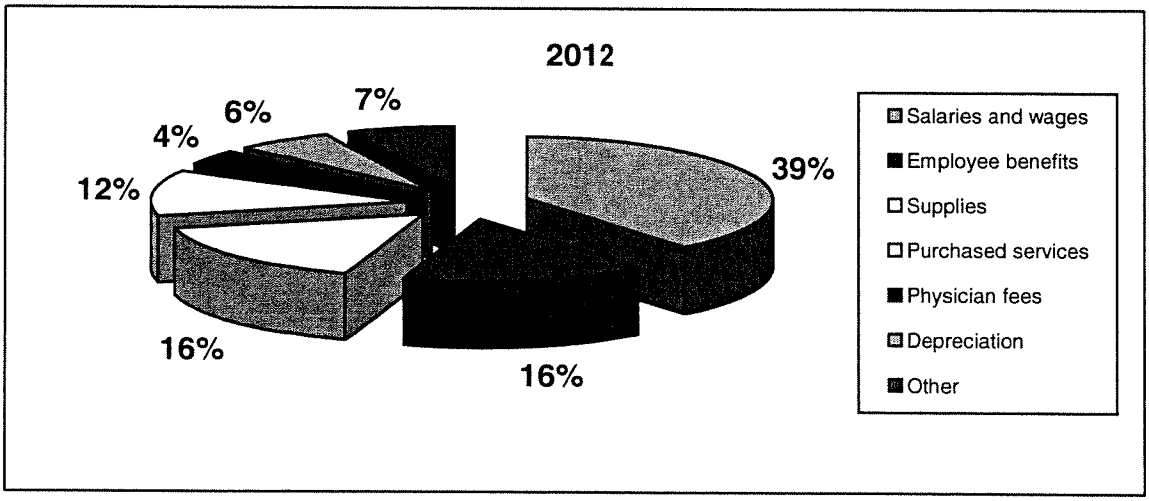
- Salaries and wages decreased approximately $311,000, or 1.8%, primarily as a result of fewer full-time equivalent employees (FTEs) in 2012 than in 2011, offset by pay rate increases.

- Employee benefits decreased approximately $245,000, or 3.4%, primarily due to the decrease in FTEs.

- Purchased services expense increased approximately $514,000, or 10.5%, primarily due to inflation and the outsourcing of certain billing services.

- Other expenses increased approximately $335,000, or 25.5%, due to an increase in the hospital franchise fee program expense.

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



Non-operating Gains (Losses)

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They consist primarily of investment income, including realized and unrealized gains and losses, grants, interest income and interest expense. The change in other non-operating losses from 2011 to 2012 was primarily due to increased investment and interest income and decreased interest expense.

Statement of Cash Flows

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

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

	Year Ended December 31			Increase
	2012	2011	2010	(Decrease)
Cash provided by (used in):				
Operating activities	$ 2,830,099	$ 4,258,527	$ 2,955,949	$ (1,428,428)
Capital and related financing activities	(2,375,990)	(2,308,731)	(4,573,511)	(67,259)
Investing activities	(5,439,900)	(4,682,876)	(3,441,946)	(757,024)
Total	(4,985,791)	(2,733,080)	(5,059,508)	(2,252,711)
Cash - beginning of year	7,327,756	10,060,836	15,120,344	(2,733,080)
Cash - end of year	$ 2,341,965	$ 7,327,756	$ 10,060,836	$ (4,985,791)

Capital Asset and Debt Administration

Capital Assets

At December 31, 2012, the Hospital had a total investment of $41,535,578 in gross capital assets and accumulated depreciation totaled $30,755,555, resulting in a net carrying value of $10,780,023. Depreciation expense for 2012 was $2,454,942 compared to $2,623,448 for 2011.

Debt

At December 31, 2012, the Hospital had $8,770,000 in long-term debt outstanding as compared to $9,625,000 at December 31, 2011. The Hospital continues to pay down its debt obligations as prescribed in the respective debt agreements. More detailed information about the Hospital's long-term liabilities is presented in the notes to the financial statements. The Hospital entered into a pay-fixed, receivable-variable interest rate swap in 2007 with a fixed rate of 3.942 percent which terminates on December 1, 2021. The fair value of the swap as of December 31, 2012 and 2011 was a liability of $897,488 and $919,148, respectively.

Economic Factors that Will Affect the Future

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

- A struggling local and state economy. This may cause volumes to decline, or increased bad debts, charity care and Medicaid utilization.
- Federal and state governments budget deficits, which will increase the likelihood of funding cuts for Medicare and Medicaid.
- The Affordable Care Act signed into law in 2010 and the related uncertainty.
- Physician relationships/alignment will continue to develop, and impact quality, cost, and services to the community.

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

Contacting the Hospital's Management

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

Randal Lennartz
Chief Financial Officer

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

ASSETS AND DEFERRED OUTFLOWS

	2012	2011
Current assets		
Cash and cash equivalents	$ 1,833,825	$ 5,260,638
Assets limited as to use - current portion	253,268	282,559
Patient accounts receivable, net of allowances for uncollectible accounts; $4,870,496 in 2012 and $5,782,460 in 2011	6,419,706	6,427,222
Investments	2,034,127	763,988
Inventories	369,807	379,752
Prepaid expenses and other current assets	1,036,240	632,001
Estimated amounts due from third party payors	56,249	-
Accrued interest receivable	1,357	1,369
Total current assets	12,004,579	13,747,529
Asset whose use is limited		
Restricted by contributors for capital improvements and other purposes	1,269,683	1,220,088
Principal of permanent endowments	17,473	17,473
Designated by Board for capital improvements and employee benefits	9,572,991	9,456,498
Held by trustee under bond indenture agreements	253,268	282,559
Total assets limited as to use	11,113,415	10,976,618
Less amounts to meet current obligations	(253,268)	(282,559)
Total assets limited as to use - noncurrent portion	10,860,147	10,694,059
Capital assets, net	10,780,023	12,075,911
Investments	4,976,186	2,250,000
Unamortized financing cost, net	63,756	77,530
Total assets	38,684,691	38,845,029
Deferred outflows	897,488	919,148
Total assets and deferred outflows	$ 39,582,179	$ 39,764,177

See accompanying notes to consolidated financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

LIABILITIES AND NET POSITION

	2012	2011
Current liabilities		
Current portion of long-term debt	$ 860,000	$ 855,000
Accounts payable	980,405	1,075,185
Accrued liabilities	2,288,145	1,578,127
Estimated amounts due to third-party payors	-	1,604,223
Total current liabilities	4,128,550	5,112,535
Interest rate swap	897,488	919,148
Compensated absences	1,048,246	987,434
Long-term debt, net of current portion	7,910,000	8,770,000
Total liabilities	13,984,284	15,789,117
Net position		
Net investment in capital assets	2,010,023	2,450,911
Restricted:		
Expendable for capital improvements and debt service	1,522,951	1,502,647
Nonexpendable permanent endowments	17,473	17,473
Unrestricted	22,047,448	20,004,029
Total net position	25,597,895	23,975,060
Total liabilities and net position	$ 39,582,179	$ 39,764,177

See accompanying notes to consolidated financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating revenues		
Net patient service revenue	$ 43,288,364	$ 44,552,678
Other operating revenue	2,051,672	707,235
Total operating revenues	45,340,036	45,259,913
Operating expenses		
Salaries and wages	16,938,830	17,249,681
Employee benefits	6,997,280	7,242,740
Supplies	6,973,453	7,185,889
Purchased services	5,396,728	4,882,574
Physician fees	1,586,746	1,743,601
Depreciation and amortization	2,468,716	2,639,090
Professional fees	166,051	146,641
Utilities	949,027	971,842
Insurance	489,623	487,610
Other	1,652,021	1,316,567
Total operating expenses	43,618,475	43,866,235
Income from operations	1,721,561	1,393,678
Non-operating gains (losses)		
Investment income	60,675	33,933
Capital grants	53,800	22,785
Interest earnings on restricted assets	109,885	156,252
Interest expense	(384,082)	(453,541)
Other non-operating gains	60,996	19,423
Total non-operating losses	(98,726)	(221,148)
Change in net position	1,622,835	1,172,530
Net position - beginning of year	23,975,060	22,802,530
Net position - end of year	$ 25,597,895	$ 23,975,060

See accompanying notes to consolidated financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 41,635,408	$ 44,743,504
Cash payments to suppliers for services and goods	(17,702,711)	(16,779,099)
Cash payments to employees and related benefits	(23,154,270)	(24,409,789)
Other operating revenue	2,051,672	703,911
Net cash flows from operating activities	2,830,099	4,258,527
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,187,198)	(797,306)
Proceeds from disposal of capital assets	7,500	1,520
Principal payments on bonds	(855,000)	(999,339)
Interest paid	(395,092)	(484,933)
Principal payments on capital leases	-	(51,458)
Capital grants received	53,800	22,785
Net cash flows from capital and related financing activities	(2,375,990)	(2,308,731)
Cash flow from investing activities		
Income received on investments	170,560	190,185
Income from other non-operating gains	81,640	22,747
Change in investments	(5,692,100)	(4,895,808)
Net cash flows from investing activities	(5,439,900)	(4,682,876)
Change in cash and cash equivalents	(4,985,791)	(2,733,080)
Cash and cash equivalents - beginning of year	7,327,756	10,060,836
Cash and cash equivalents- end of year	$ 2,341,965	$ 7,327,756
Balance sheet classification of cash and cash equivalents		
Current assets - cash	$ 1,833,825	$ 5,260,638
Investments	69,265	13,988
Assets limited as to use	438,875	2,053,130
Total	$ 2,341,965	$ 7,327,756
Supplemental disclosure of non cash activities		
Interest rate swap and deferred outflows	$ (21,660)	$ 246,944

See accompanying notes to consolidated financial statements.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

A reconciliation of income from operations to net cash flows from operating activities follows:

	2012	2011	2010
Cash flows from operating activities			
Income from operations	$ 1,721,561	$ 1,393,678	$ 711,298
Adjustments to reconcile income from operations to net cash flows from operating activities			
Depreciation and amortization	2,468,716	2,639,090	2,833,186
Provision for bad debt	5,216,472	6,194,840	8,016,590
Change in operating assets and liabilities			
Patient accounts receivables	(5,208,956)	(6,205,957)	(8,486,995)
Inventories	9,945	44,175	(16,591)
Prepaid expenses and other current assets	(404,227)	46,958	291,268
Accounts payable	(94,780)	(138,832)	348,773
Accrued liabilities and compensated absences	781,840	82,632	(377,305)
Estimated amounts due to third-party payors	(1,660,472)	201,943	(364,275)
Net cash from operating activities	$ 2,830,099	$ 4,258,527	$ 2,955,949

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity/Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Highland County Joint Township Hospital District (the Hospital) and its four subsidiaries, Highland District Hospital Foundation, Inc., Highland District Hospital Professional Services Corporation, Highland Joint Township District Hospital Foundation, and PFW Professional Service Corporation (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

The Hospital is an acute care facility located in Hillsboro, Ohio, serving patients primarily in Highland County. The Hospital is a political subdivision of the State of Ohio and was formed under the provisions of the Ohio revised code. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital District Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

During 1999, the Hospital formed the Highland District Hospital Foundation, Inc. (HDH Foundation) as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (3). The Foundation is controlled by the Hospital's Board of Governors.

Also during 1999, the Hospital formed the Highland District Hospital Professional Services Corporation (PSC) as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (3) to further the charitable purposes of the HDH Foundation and the Hospital.

During 2001, the Hospital formed the Highland Joint Township District Hospital Foundation (HJTDH Foundation) as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (3) to raise and hold contributions for the benefit of the Hospital.

Also during 2001, the Hospital formed the PFW Professional Service Corporation (PFW) as a not-for-profit corporation under Internal Revenue Code Section 501 (c) (3) to further the charitable purposes of the HDH Foundation and the Hospital.

Basis of Presentation

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,* issued in June 1999. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34.

New Pronouncement

During 2012, the Organization adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which primarily resulted in renaming net assets to net position within the consolidated balance sheets.

Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

Cash and Cash Equivalents

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

Inventories

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

Assets Whose Use is Limited

Assets whose use is limited consist of invested funds designated by the Hospital's Board of Governors for employee benefits, the replacement, improvement, and expansion of the Hospital's facilities, and invested funds restricted in connection with the Hospital's revenue bonds. Amounts required to meet current obligations are recognized as current assets. Assets limited as to use also include funds restricted by contributors for capital improvements and other purposes, as well as the principal and interest on a permanent endowment, of which the interest is restricted for operations and capital improvements.

Investment income or loss (including unrealized gains and losses on investments, realized gains and losses on investments, interest, and dividends) is included in non-operating gains (losses).

Enterprise Fund Accounting

The Organization 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 Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* as amended, the Organization has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Capital Assets

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

Unamortized Financing Costs

Costs incurred in obtaining long-term bond financing are being amortized over the period the obligations are outstanding using the effective interest method. Amortization expense totaled $13,774 and $15,642 in 2012 and 2011, respectively.

Income Guarantee

The Organization has entered into an agreement to receive services from an anesthesia group. Under this agreement, the Hospital is required to make payments to the group in excess of amounts earned in the provision of anesthesia services up to the amount of the income guarantee. The guarantee period is for a one year term, which is renewable. At December 31, 2012 the Organization recorded a liability of approximately $294,000 which is included in accrued expenses and an offsetting asset recorded in prepaid expenses and other current assets.

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 Organization 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.

Restricted Resources

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

Net Position

Net position of the Organization is classified in four 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. Restricted expendable for capital improvements and debt service assets must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited with trustees as required by revenue bond indentures. Restricted nonexpendable net position equals the principal portion of permanent endowments. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Use of Estimates

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

Net Patient Service Revenue

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

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

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

Income from Operations

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

Pension Plan

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

Charity Care

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

Of the Organization's total reported operating expenses (approximately $43,618,000 and $43,866,000 during 2012 and 2011, respectively), an estimated $781,000 and $586,000 arose from providing services to charity patients during 2012 and 2011, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Organization's total operating expenses plus interest expense divided by gross patient service revenue. The Organization participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts received through this program totaled approximately $604,000 and $509,000 for 2012 and 2011, respectively.

Federal Income Tax

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

Beneficial Interest in Trust

In 2000, the Organization was notified it had obtained a 50% interest in a trust. Under the trust agreement, the Organization has the right to receive the income earned on the trust assets, but never receives the assets held in trust. Annual distributions from the trust to the Organization are reported as investment income. The assets of the trust are not recorded in the Organization's financial statements.

Electronic Health Records (EHR) Incentive Payments

The Organization receives EHR incentive payments under the Medicare program. To qualify for these payments, the Organization must meet "meaningful use" criteria that become more stringent over time. The Organization periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (ending on September 30th). The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in the Organization's cost reports. For Critical Access Hospitals, the payment calculation is based upon the net book value of the qualifying assets multiplied by the Medicare utilization using Medicare to total inpatient days plus 20%, not to exceed 100%. The total days are multiplied by a factor of total charges excluding charity care to total charges. Critical Access Hospitals can be reimbursed over a four year period for additional qualifying assets not claimed in the first year. The transitional factor ranges from 100% in first payment year and decreases by 25% each payment year until it is completely phased out in the fifth year.

The Organization recognizes EHR incentive payments as grant income when there is reasonable assurance that the Organization will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the financial statement effects of the grants must be both recognizable and measurable. During 2012 and 2011, the Organization recognized approximately $1,248,000 and $0, respectively, in EHR incentive payments as grant income using the cliff recognition method. Under the cliff recognition method, the Hospital records income at the end of the EHR reporting period in which compliance is received. EHR incentive income is included in other revenue in the consolidated statement of operations. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

Receipt of these funds is subject to the fulfillment of certain obligations by the Organization as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued, which is March 27, 2013.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

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

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

Interest rate swap agreements: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves.

The Organization's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. No transfers between levels occurred in 2012 and 2011.

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Accounts payable, estimated third-party payor settlements and accrued expenses: The carrying amount reported in the balance sheet for these items approximates its fair value due to their nearness to maturity.

Debt: The carrying amount reported on the balance sheet for debt approximates its fair value based upon the variable nature of its primary debt.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government Obligations	$ -	$ 12,345,292	$ -	$ 12,345,292
Common Stocks - Large Cap	116,285	-	-	116,285
Total	$ 116,285	$ 12,345,292	$ -	$ 12,461,577
Liabilities:				
Interest Rate Swap Agreements	$ -	$ 897,488	$ -	$ 897,488

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks - Large Cap	$ 106,736	$ -	$ -	$ 106,736
Total	$ 106,736	$ -	$ -	$ 106,736
Liabilities:				
Interest Rate Swap Agreements	$ -	$ 919,148	$ -	$ 919,148

3. DEPOSITS AND INVESTMENTS

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

	2012		2011	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market accounts	$ 2,341,965	$ 2,341,965	$ 7,327,756	$ 7,327,756
Certificates of deposit	5,154,011	5,154,011	11,816,752	11,816,752
U. S. government obligations	12,345,292	11,842,920	-	-
Stocks	116,285	9,459	106,736	5,787
Total	$ 19,957,553	$ 19,348,355	$ 19,251,244	$ 19,150,295

	2012		2011	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type-				
General funds:				
Cash	$ 1,833,825	$ 1,833,825	$ 5,260,638	$ 5,260,638
Investments	7,010,313	7,010,313	3,013,988	3,013,988
Assets limited as to use	11,113,415	10,504,217	10,976,618	10,875,669
Total	$ 19,957,553	$ 19,348,355	$ 19,251,244	$ 19,150,295

Protection of the Organization'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, 2012 and 2011, the Organization had $4,742,850 and $7,425,432, respectively, of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution.

Investments in U.S. government obligations were uninsured and held by the Organization's agent in the Organization's name. Investments in common stock were held by the Organization in the Organization's name.

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

	Carrying Amount	Maturities < than 1 year	Maturities 1 to 5 years	Maturities > than 5 years
December 31, 2012				
Certificates of Deposit	$ 5,154,011	$ 939,654	$ 4,214,357	$ -
U.S. Government Obligations	12,345,292	-	-	12,345,292
Total	$ 17,499,303	$ 939,654	$ 4,214,357	$ 12,345,292

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

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

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

4. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2012	2011
Total patient accounts receivable	$ 18,523,188	$ 17,955,273
Less allowance for:		
Uncollectible accounts	(4,870,496)	(5,782,460)
Contractual adjustments	(7,232,986)	(5,745,591)
Net patient accounts receivable	$ 6,419,706	$ 6,427,222

The mix of accounts receivable and gross revenues from patients and third-party payors in 2012 and 2011 follows:

	2012		2011	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	28%	44%	23%	43%
Medicaid	19%	22%	14%	20%
Self-pay	29%	8%	37%	10%
Commercial and other	24%	26%	26%	27%
	100%	100%	100%	100%

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	2011	Additions	Retirements	2012
Land	$ 24,937	$ -	$ -	$ 24,937
Land improvements	711,241	-	-	711,241
Buildings and improvements	16,124,638	150,766	(34,167)	16,241,237
Equipment	23,884,982	1,020,016	(382,626)	24,522,372
Construction in progress	44,981	16,416	(25,606)	35,791
Total capital assets	40,790,779	1,187,198	(442,399)	41,535,578
Less accumulated depreciation				
Land improvements	646,945	6,073	-	653,018
Buildings and improvements	9,769,100	698,942	-	10,468,042
Equipment	18,298,823	1,749,927	(414,255)	19,634,495
Total accumulated depreciation	28,714,868	2,454,942	(414,255)	30,755,555
Capital assets, net	$ 12,075,911	$ (1,267,744)	$ (28,144)	$ 10,780,023

Capital asset activity for the year ended December 31, 2011 was as follows:

	2010	Additions	Retirements	2011
Land	$ 24,937	$ -	$ -	$ 24,937
Land improvements	711,241	-	-	711,241
Buildings and improvements	15,927,511	197,127	-	16,124,638
Equipment	20,733,138	582,409	(259,802)	21,055,745
Equipment - capital leases	2,829,237	-	-	2,829,237
Construction in progress	27,211	17,770	-	44,981
Total capital assets	40,253,275	797,306	(259,802)	40,790,779
Less accumulated depreciation				
Land improvements	639,839	7,106	-	646,945
Buildings and improvements	9,058,184	710,916	-	9,769,100
Equipment	13,852,788	1,862,733	(245,935)	15,469,586
Equipment - capital leases	2,795,567	42,693	(9,023)	2,829,237
Total accumulated depreciation	26,346,378	2,623,448	(254,958)	28,714,868
Capital assets, net	$ 13,906,897	$ (1,826,142)	$ (4,844)	$ 12,075,911

6. ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS

Approximately 66% of the Organization's revenues from patient services are received from the Medicare and Medicaid programs. The Organization has agreements with these payors that provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Organization's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of these reimbursements follows.

Medicare

The Hospital is designated as a Critical Access Hospital. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services. Medicare cost reports are open for 2009 and 2011.

Medicaid

Inpatient, acute-care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Medicaid cost reports are final settled through 2006.

Other

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

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. During the years ended December 31, 2012 and 2011, the Organization recognized a gain of approximately $428,000 and $526,000, respectively, due to the difference between original estimates and subsequent revisions due to final settlements and changes in allowance methodology.

7. LONG-TERM DEBT

The Organization is bound by various operational and financial covenants, including maintaining a minimum debt service ratio of 1.25 to 1, at least 60 days cash on hand, and the maximum funded indebtedness to unrestricted fund balance must be less than 1.1 to 1. The Organization believes that it is in compliance with these covenants.

On November 29, 2001, PSC obtained a $215,000 mortgage loan to purchase a medical office building and related property. The mortgage was paid in full in 2011.

On August 15, 2004, the Organization obtained $3,905,000 of Hospital Facilities Revenue and Refunding Bonds, Series 2004, to finance the recladding of the Hospital facilities and to retire the 2001 Series bonds. The bonds are payable in varying annual installments beginning August 1, 2005. The bonds mature August 1, 2024. The interest rate on the variable rate debt was 0.23% at December 31, 2012. The debt is collateralized by a bank letter of credit which expires on July 1, 2014.

$10,180,000 of variable rate Hospital Facilities Revenue Refunding Bonds were issued in 2007 to refund a total of $10,450,000 1999 bonds with an interest rate of 6.75%. The interest rate on the variable rate debt was 0.18% at December 31, 2012. The debt is collateralized by a bank letter of credit which expires on July 1, 2014.

The variable rate 2007 Bonds and 2004 Bonds are both remarketed on a weekly basis. Should the remarketing agent be unable to remarket the Bonds based on its best efforts, these Bonds would be "put" back to the Bond Trustee, who would draw down on the letter of credit to pay down the Bonds. The Reimbursement Agreement between the letter-of-credit bank and the Organization provides for the Organization to reimburse the letter-of-credit bank any principal or interest draws against the letter of credit on the date of any such drawing and remarketing draws upon maturity of the letter of credit.

The Organization leased medical equipment used in its operations under a capital lease which ended in 2011. Depreciation of the asset under the capital lease was included in depreciation expense for 2011.

Long-term debt activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 9,625,000	$ -	$ (855,000)	$ 8,770,000	$ 860,000

Long-term debt activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases, bonds, and loans payable:					
Lease obligations	$ 51,458	$ -	$ (51,458)	$ -	$ -
Bonds and loans payable	10,624,339	-	(999,339)	9,625,000	855,000
Total leases, bonds, and loans payable	$ 10,675,797	$ -	$ (1,050,797)	$ 9,625,000	$ 855,000

The following is a schedule of bond and loan principal and interest payments as of December 31, 2012:

	Bonds and Loans Payable	Bonds and Loans Interest	Interest Rate Swap, Net
2013	$ 860,000	$ 275,950	$ 232,024
2014	870,000	242,799	202,435
2015	875,000	214,039	177,337
2016	880,000	195,090	161,973
2017	890,000	146,033	117,123
2018-2022	3,865,000	344,178	258,923
2023-2024	530,000	7,324	-
Total payments	$ 8,770,000	$ 1,425,413	$ 1,149,815

8. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

Contracts

The Organization has one interest rate swap agreement in effect at December 31, 2012 for the $10,180,000 2007 Hospital Facilities Revenue Refunding Bonds.

Objectives

As a means to manage the risk associated with interest rate risk on its variable rate bonds, the Organization entered into an interest rate swap in connection with its 2007 Hospital Facilities Revenue Refunding Bonds. The intention of the swap agreement was to effectively change the Organization's variable interest rate on the bonds to a fixed rate of 3.942%.

Terms, Fair Values and Credit Risk

The terms, fair values, and credit ratings of the outstanding swap as of December 31, 2012 are shown below. The notional amount of the swap matches the principal amount of the associated debt and declines with the principal amortization on the bonds.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate	Variable Rate	Fair Value	Termination Date	Counterparty Credit Rating
2007 Hospital Facilities Revenue Refunding Bonds	$ 6,100,000	6/1/2007	3.942%	0.18%	$ (897,488)	December 1, 2021	Aa3/A+/A+

As of December 31, 2012, the negative fair values of the agreements may be countered by reductions in total interest payments under the swap agreement should the variable rate on the bonds increase. The variable rate on the swap is the Securities Industry and Financial Markets Association (SIFMA) swap index and resets weekly.

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

Basis Risk

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

Termination Risk

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

Swap Payments and Associated Debt

Using rates as of December 31, 2012, debt service requirements of the variable rate debt and net swap payments of the 2007 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 7. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

	2012	2011
Deferred outflows	$ 897,488	$ 919,148

	Liabilities	
	2012	2011
Interest rate swap agreements	$ 897,488	$ 919,148

9. ACCRUED LIABILITIES

The details of accrued liabilities at December 31, 2012 and 2011 are as follows:

	2012	2011
Payroll and related amounts	$ 1,566,151	$ 1,144,923
Workers' compensation premiums	132,597	139,351
Pension	291,726	279,421
Income guarantee	294,249	-
Interest	3,422	14,432
Total accrued liabilities	$ 2,288,145	$ 1,578,127

10. NET PATIENT SERVICE REVENUE

Net patient service revenue consists of the following:

	2012	2011
Revenue:		
Inpatient services:		
Routine services	$ 7,977,870	$ 8,152,304
Ancillary services	12,503,500	13,155,527
Outpatient services	77,658,836	77,731,841
Total patient revenue	98,140,206	99,039,672
Revenue deductions:		
Provision for contractual allowances	47,878,718	46,872,729
Provision for bad debt allowances	5,216,472	6,194,840
Provision for charity care	1,756,652	1,419,425
Total revenue deductions	54,851,842	54,486,994
Total net patient service revenue	$ 43,288,364	$ 44,552,678

11. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Organization contributed to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – 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 healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing OPERS, 277 East Town Street, Columbus OH 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 post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 4.0% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered by 1%, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Organization's contributions, representing 100% of employer contributions, for the last three years follow:

Year	Contribution
2012	$ 1,879,000
2011	$ 1,899,000
2010	$ 1,952,000

Organization contributions made to fund post-employment healthcare benefits approximated $537,000, $543,000, and $709,000 for 2012, 2011 and 2010, respectively, which are included in the table above.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

12. SELF-INSURED BENEFITS

The Organization provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that generally covers specific claims over $60,000 and an aggregate annual aggregate deductible of $4,529,994. However, the policy allows separate individual specific deductibles based on diagnosis. The aggregate contract period reimbursement maximum under the policy is $1,000,000. Total health expenses charged to operations, including an estimate of incurred but unreported claims, totaled $3,822,110 and $3,994,536 in 2012 and 2011, respectively.

13. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Organization has purchased commercial insurance for malpractice, general liability, and employee medical claims. The Organization is insured against medical malpractice claims under a claims-made 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 Organization 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 Organization has an umbrella policy with an additional $7,000,000 of coverage.

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

The Organization is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as a current expense.

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

14. RECENT GASB PRONOUNCEMENTS

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

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," issued March 2012, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*," issued June 2012, is effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. A cost-sharing employer that does not have a special funding situation, is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

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blue

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

Highland County Joint Township Hospital District
Highland County
1275 North High St.
Hillsboro, Ohio 45133

To the Board of Trustees and Hospital Board of Governors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the consolidated financial statements of the business-type activities of Highland County Joint Township Hospital District (the Hospital), as of and for the year ended December 31, 2012, and the related notes to the consolidated financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated March 27, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. We consider 2012-1 to be a significant deficiency.

Compliance and Other Matters

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

Management's Response to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Blue & Co., LLC

Columbus, Ohio
March 27, 2013

2012–1 **Income Guarantee Accounting**

Condition: The Hospital has an agreement with a physician group that includes minimum future income guarantees. The associated intangible asset and liability were not recorded.

Criteria: In accordance with FASB Staff Position FIN 45-3, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners," the Hospital should record commitments for future income guarantees as an intangible asset and liability at their estimated amounts.

Cause: The Hospital did not account for the future obligation.

Effect: Assets and liabilities were understated.

Recommendation: Agreements with minimum future income guaranteed should be reviewed and any required intangible asset and liability amounts should be recorded at their estimated amounts.

Management's Response: We will review these types of agreements for and account for them in accordance with the applicable accounting guidance.

SUPPLEMENTARY INFORMATION

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

ASSETS AND DEFERRED OUTFLOWS

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
Current assets							
Cash and cash equivalents	$ 1,566,792	$ 474	$ 164,589	$ 8,107	$ 93,863	$ -	$ 1,833,825
Assets limited as to use - current portion	253,268	-	-	-	-	-	253,268
Patient accounts receivable - net	5,738,139	-	403,992	277,575	-	-	6,419,706
Investments	2,034,127	-	-	-	-	-	2,034,127
Inventories	369,807	-	-	-	-	-	369,807
Prepaid expenses and other current assets	890,869	-	102,973	34,737	7,661	-	1,036,240
Estimated amounts due from third-party payors	56,249	-	-	-	-	-	56,249
Accrued interest receivable	1,357	-	-	-	-	-	1,357
Notes and grants receivable - current portion	29,873	-	-	-	-	(29,873)	-
Total current assets	10,940,481	474	671,554	320,419	101,524	(29,873)	12,004,579
Assets limited as to use							
Restricted by contributors for capital improvements and other purposes	1,058,143	-	-	-	211,540	-	1,269,683
Principal of permanent endowments	-	-	-	-	17,473	-	17,473
Designated by Board for capital improvements and employee benefits	9,470,355	102,636	-	-	-	-	9,572,991
Held by trustee under bond indenture agreements	253,268	-	-	-	-	-	253,268
Total assets limited as to use	10,781,766	102,636	-	-	229,013	-	11,113,415
Less amounts to meet current obligations	(253,268)	-	-	-	-	-	(253,268)
Total assets limited as to use - noncurrent portion	10,528,498	102,636	-	-	229,013	-	10,860,147
Capital assets - net	10,270,670	-	429,035	80,318	-	-	10,780,023
Investments	4,976,186	-	-	-	-	-	4,976,186
Unamortized financing costs - net	63,756	-	-	-	-	-	63,756
Total assets	36,779,591	103,110	1,100,589	400,737	330,537	(29,873)	38,684,691
Deferred outflows	897,488	-	-	-	-	-	897,488
Total assets and deferred outflows	$ 37,677,079	$ 103,110	$ 1,100,589	$ 400,737	$ 330,537	$ (29,873)	$ 39,582,179

See report of independent auditors on page 1.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

LIABILITIES AND NET POSITION

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
Current liabilities							
Current portion of long-term debt	$ 860,000	$ -	$ -	$ -	$ -	$ -	$ 860,000
Accounts payable	811,532	-	133,449	35,424	-	-	980,405
Accrued liabilities	2,105,704	-	140,917	71,397	-	(29,873)	2,288,145
Total current liabilities	3,777,236	-	274,366	106,821	-	(29,873)	4,128,550
Interest rate swap	897,488	-	-	-	-	-	897,488
Compensated absences	1,029,195	-	14,447	4,604	-	-	1,048,246
Long-term debt - net of current portion	7,910,000	-	-	-	-	-	7,910,000
Total liabilities	13,613,919	-	288,813	111,425	-	(29,873)	13,984,284
Net position							
Net investment in capital assets	1,500,670	-	429,035	80,318	-	-	2,010,023
Restricted:							
Expendable for capital improvements and debt service	1,311,411	-	-	-	211,540	-	1,522,951
Nonexpendable permanent endowments	-	-	-	-	17,473	-	17,473
Unrestricted	21,251,079	103,110	382,741	208,994	101,524	-	22,047,448
Total net position	24,063,160	103,110	811,776	289,312	330,537	-	25,597,895
Total liabilities and net position	$ 37,677,079	$ 103,110	$ 1,100,589	$ 400,737	$ 330,537	$ (29,873)	$ 39,582,179

See report of independent auditors on page 1.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2011

ASSETS AND DEFERRED OUTFLOWS

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
Current assets							
Cash and cash equivalents	$ 4,985,649	$ 328	$ 147,416	$ 34,526	$ 92,719	$ -	$ 5,260,638
Assets limited as to use - current portion	282,559	-	-	-	-	-	282,559
Patient accounts receivable - net	5,696,647	-	582,864	147,711	-	-	6,427,222
Investments	763,988	-	-	-	-	-	763,988
Inventories	379,752	-	-	-	-	-	379,752
Prepaid expenses and other current assets	542,238	-	70,772	18,991	-	-	632,001
Accrued interest receivable	1,369	-	-	-	-	-	1,369
Notes and grants receivable - current portion	8,722	-	-	-	-	(8,722)	-
Total current assets	12,660,924	328	801,052	201,228	92,719	(8,722)	13,747,529
Assets limited as to use							
Restricted by contributors for capital improvements and other purposes	1,045,509	-	-	-	174,579	-	1,220,088
Principal of permanent endowments	-	-	-	-	17,473	-	17,473
Designated by Board for capital improvements and employee benefits	9,354,904	101,594	-	-	-	-	9,456,498
Held by trustee under bond indenture agreements	282,559	-	-	-	-	-	282,559
Total assets limited as to use	10,682,972	101,594	-	-	192,052	-	10,976,618
Less amounts to meet current obligations	(282,559)	-	-	-	-	-	(282,559)
Total assets limited as to use - noncurrent portion	10,400,413	101,594	-	-	192,052	-	10,694,059
Capital assets - net	11,769,524	-	272,756	33,631	-	-	12,075,911
Investments	2,250,000	-	-	-	-	-	2,250,000
Unamortized financing costs - net	77,530	-	-	-	-	-	77,530
Total assets	37,158,391	101,922	1,073,808	234,859	284,771	(8,722)	38,845,029
Deferred outflows	919,148	-	-	-	-	-	919,148
Total assets and deferred outflows	$ 38,077,539	$ 101,922	$ 1,073,808	$ 234,859	$ 284,771	$ (8,722)	$ 39,764,177

See report of independent auditors on page 1.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2011

LIABILITIES AND NET POSITION

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
Current liabilities							
Current portion of long-term debt	$ 855,000	$ -	$ -	$ -	$ -	$ -	$ 855,000
Accounts payable	947,322	-	110,431	17,432	-	-	1,075,185
Accrued liabilities	1,416,694	-	107,899	62,256	-	(8,722)	1,578,127
Estimated amounts due to third-party payors	1,604,223	-	-	-	-	-	1,604,223
Total current liabilities	4,823,239	-	218,330	79,688	-	(8,722)	5,112,535
Interest rate swap	919,148	-	-	-	-	-	919,148
Compensated absences	960,646	-	23,622	3,166	-	-	987,434
Long-term debt - net of current portion	8,770,000	-	-	-	-	-	8,770,000
Total liabilities	15,473,033	-	241,952	82,854	-	(8,722)	15,789,117
Net position							
Net investment in capital assets	2,144,524	-	272,756	33,631	-	-	2,450,911
Restricted:							
Expendable for capital improvements and debt service	1,328,068	-	-	-	174,579	-	1,502,647
Nonexpendable permanent endowments	-	-	-	-	17,473	-	17,473
Unrestricted	19,131,914	101,922	559,100	118,374	92,719	-	20,004,029
Total net position	22,604,506	101,922	831,856	152,005	284,771	-	23,975,060
Total liabilities and net position	$ 38,077,539	$ 101,922	$ 1,073,808	$ 234,859	$ 284,771	$ (8,722)	$ 39,764,177

See report of independent auditors on page 1.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2012

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminating	Total
Operating revenues							
Net patient service revenue	$ 39,552,465	$ -	$ 2,802,740	$ 951,989	$ -	$ (18,830)	$ 43,288,364
Other operating revenue	1,873,025	1,188	82,613	63,887	152,203	(121,244)	2,051,672
Total operating revenues	41,425,490	1,188	2,885,353	1,015,876	152,203	(140,074)	45,340,036
Operating expenses							
Salaries and wages	13,466,856	-	2,279,164	1,192,810	-	-	16,938,830
Employee benefits	6,293,990	-	439,850	263,440	-	-	6,997,280
Supplies	6,718,559	-	82,928	140,665	31,301	-	6,973,453
Purchased services	3,860,949	-	1,476,820	86,944	34,759	(62,744)	5,396,728
Physician fees	1,583,309	-	-	-	3,437	-	1,586,746
Depreciation and amortization	2,417,741	-	41,018	9,957	-	-	2,468,716
Professional fees	166,051	-	-	-	-	-	166,051
Utilities	843,849	-	81,893	23,285	-	-	949,027
Insurance	319,817	-	96,880	72,926	-	-	489,623
Other	1,119,091	-	407,408	163,702	39,150	(77,330)	1,652,021
Total operating expenses	36,790,212	-	4,905,961	1,953,729	108,647	(140,074)	43,618,475
Income (loss) from operations	4,635,278	1,188	(2,020,608)	(937,853)	43,556	-	1,721,561
Non-operating gains (losses)							
Investment income	58,465	-	-	-	2,210	-	60,675
Capital grants	53,800	-	-	-	-	-	53,800
Interest on restricted assets	109,885	-	-	-	-	-	109,885
Interest expense	(384,082)	-	-	-	-	-	(384,082)
Other non-operating gains	60,308	-	528	160	-	-	60,996
Total non-operating gains (losses)	(101,624)	-	528	160	2,210	-	(98,726)
Excess of revenue over expenses (expenses over revenues)	4,533,654	1,188	(2,020,080)	(937,693)	45,766	-	1,622,835
Transfer from (to) affiliates	(3,075,000)	-	2,000,000	1,075,000	-	-	-
Change in net position	1,458,654	1,188	(20,080)	137,307	45,766	-	1,622,835
Net position - beginning of year	22,604,506	101,922	831,856	152,005	284,771	-	23,975,060
Net position - end of year	$ 24,063,160	$ 103,110	$ 811,776	$ 289,312	$ 330,537	$ -	$ 25,597,895

See report of independent auditors on page 1.

HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2011

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminating	Total
Operating revenues							
Net patient service revenue	$ 39,870,863	$ -	$ 3,672,548	$ 1,028,165	$ -	$ (18,898)	$ 44,552,678
Other operating revenue	690,030	1,551	-	-	96,699	(81,045)	707,235
Total operating revenue	40,560,893	1,551	3,672,548	1,028,165	96,699	(99,943)	45,259,913
Operating expenses							
Salaries and wages	13,618,598	-	2,471,000	1,160,083	-	-	17,249,681
Employee benefits	6,529,072	-	458,615	255,053	-	-	7,242,740
Supplies	6,945,328	-	85,533	118,418	36,610	-	7,185,889
Purchased services	3,722,246	-	1,170,024	17,433	36,006	(63,135)	4,882,574
Physician fees	1,740,196	-	-	-	3,405	-	1,743,601
Depreciation and amortization	2,595,405	-	38,546	5,139	-	-	2,639,090
Professional fees	146,641	-	-	-	-	-	146,641
Utilities	859,755	-	84,785	27,302	-	-	971,842
Insurance	332,718	-	83,612	71,280	-	-	487,610
Other	764,533	-	397,232	183,189	8,421	(36,808)	1,316,567
Total operating expenses	37,254,492	-	4,789,347	1,837,897	84,442	(99,943)	43,866,235
Income (loss) from operations	3,306,401	1,551	(1,116,799)	(809,732)	12,257	-	1,393,678
Non-operating gains (losses)							
Investment income	31,104	-	-	-	2,829	-	33,933
Capital grants	22,785	-	-	-	-	-	22,785
Interest on restricted assets	156,252	-	-	-	-	-	156,252
Interest expense	(445,208)	-	(8,333)	-	-	-	(453,541)
Other non-operating gains	18,103	-	1,070	250	-	-	19,423
Total non-operating gains (losses)	(216,964)	-	(7,263)	250	2,829	-	(221,148)
Excess of revenue over expenses (expenses over revenues)	3,089,437	1,551	(1,124,062)	(809,482)	15,086	-	1,172,530
Transfer from (to) affiliates	(1,975,000)	-	1,175,000	800,000	-	-	-
Change in net position	1,114,437	1,551	50,938	(9,482)	15,086	-	1,172,530
Net position - beginning of year	21,490,069	100,371	780,918	161,487	269,685	-	22,802,530
Net position - end of year	$ 22,604,506	$ 101,922	$ 831,856	$ 152,005	$ 284,771	$ -	$ 23,975,060

See report of independent auditors on page 1.

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HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 21, 2013

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