

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

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**MARCH 31, 2024 AND 2023**

*CPAs / ADVISORS*







65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

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

We have reviewed the *Independent Auditor's Report* of the Mercer County Joint Township Community Hospital, Mercer County, prepared by Blue & Co., LLC, for the audit period April 1, 2023 through March 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

November 12, 2024

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Governors

### Report on the Audit of Financial Statements

#### ***Opinions***

We have audited the financial statements of the business-type activities and the discretely presented component unit of Mercer County Joint Township Community Hospital (the "Organization"), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Organization, as of March 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during 2024, the Organization adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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

***Other Matter - Correction of Error to the Prior Period Financial Statements***

The financial statements of the Organization, as of and for the year ended March 31, 2023, were audited by predecessor auditors whose report dated October 30, 2023, expressed unmodified opinions on those financial statements.

As described in Note 2 to the financial statements, certain errors resulting in the overstatement of amounts previously reported for cash, accounts receivable, assets whose use is limited, net patient service revenue, operating revenue, operating expenses and nonoperating revenue were discovered by management during the current year. Accordingly, these items have been restated in the 2023 financial statements now presented. The predecessor auditors reported on the 2023 financial statements before restatement.

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the Organization other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material 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 judgement made by a reasonable user based on the financial statements.

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

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

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-x and the Required Supplementary Information on GASB 68 Pension Assets, Liabilities, and Contributions and GASB 75 Other Postemployment Benefit Assets, Liabilities, and Contributions on pages 48-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2024 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

*Blane, W., LLC*

Westerville, Ohio  
September 9, 2024

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

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**Management's Discussion and Analysis**

The discussion and analysis of the Mercer County Joint Township Community Hospital's (the Organization) financial statements provides an overview of the Organization's financial activities for the years ended March 31, 2024, 2023, and 2022. The financial statements reflect information for the Mercer County Joint Township Community Hospital (the Hospital) and the Medical Educational Development Foundation Physicians Corporation (MEDF) and does not include the Medical, Educational and Development Foundation (Foundation) activity. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with this discussion and analysis.

**Financial Highlights**

- The Organization's total assets and deferred outflows of resources decreased by \$5,710,181 or 5.3% compared to a \$13,650,626 or 14.6% increase in 2023. The change in 2024 was due to a decrease in deferred outflows for pension and other post-employment benefits. The change in 2023 was due to an increase in deferred outflows for pension and other post-employment benefits.
- The Organization's total liabilities and deferred inflows of resources decreased \$5,346,308 or 7.2% in 2024 compared to an increase of \$19,975,790 or 36.5% in 2023. The change in 2024 was due to a decrease in the net pension liability of \$9,137,517 offset by an increase in debt of \$3,915,722. In 2023, the change was due to an increase in the net pension liability of approximately \$34,051,000 offset by a decrease in the deferred inflows for pension of approximately \$15,246,000.
- The Organization's net position decreased \$363,873 in 2024. The decrease was due to an operating gain of \$70,642 offset by a nonoperating loss of \$434,515. Net position in 2023 decreased by \$5,388,867, primarily due to an operating loss of \$5,323,865.
- The increase in the Organization's operating income in 2024 of \$5,394,507 from 2023 was the result of a 9.1% increase in operating revenues of \$8,927,106 and a 3.4% increase in operating expenses of \$3,532,599.
- During 2024, the Organization adopted Governmental Accounting Standards Board (GASB) No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96), which requires Subscription-Based Information Technology Arrangements (SBITAs) to be recorded in the statement of net position. The Hospital has recorded net SBITA assets in the amount of \$904,717 and \$1,376,743 at March 31, 2024 and 2023, respectively, and SBITA liabilities of \$1,471,475 and \$2,154,441 at March 31, 2024 and 2023, respectively.

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

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

Included in the Organization's financial statements is the impact of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Organization is required to recognize their proportionate share of the Ohio Public Employees Retirement System (OPERS) pension and other postemployment benefits (OPEB) unfunded liabilities within the financial statements. A proportionate share of the net pension liabilities of OPERS and OPEB has been allocated to the Organization, based on retirement plan contributions for Organization employees. The cumulative impact of adopting GASB Statement No. 68 and GASB Statement No. 75 has been a \$27,435,795 reduction in the Organization's net position through March 31, 2024.

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

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

The chart below summarizes the Organization's 2024 activity with and without the impact of GASB Statements 68 and 75.

	<b>Presentation in accordance with Generally Accepted Accounting Principles</b>	<b>Impact w/o GASB 68 &amp; 75</b>
<b>Operating results</b>		
Change in net position	\$ (363,873)	\$ (1,003,219)
<b>Net position</b>		
Assets and deferrals	\$ 101,468,021	\$ 88,983,913
Liabilities and deferrals	\$ 69,329,538	\$ 29,409,635
Net position	\$ 32,138,483	\$ 59,574,278
Total liabilities and net position	\$ 101,468,021	\$ 88,983,913

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

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**Using This Annual Report**

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

**The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

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

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

**Statements of Cash Flows**

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

**The Organization's Net Position**

The Organization's net position is the difference between its assets and deferred outflows of resources when compared to its liabilities and deferred inflows of resources reported in the Statements of Net Position on page 5. The Hospital's net position decreased by \$363,873 in 2024.

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

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**Condensed Financial Information**

The following is a comparative analysis of the major components of the Statements of Net Position of the Organization as of March 31, 2024, 2023 and 2022:

	2024	2023 (As restated)	2022
<b>Assets:</b>			
Current assets	\$ 26,410,649	\$ 33,375,112	\$ 38,504,594
Noncurrent assets, excluding capital assets	10,865,958	8,201,638	12,016,959
Capital assets, net	<u>53,342,515</u>	<u>45,684,081</u>	<u>39,028,644</u>
 Total assets	 90,619,122	 87,260,831	 89,550,197
 <b>Deferred outflows of resources</b>			
 Total assets and deferred outflows of resources	 <u>10,848,899</u>	 <u>19,917,371</u>	 <u>3,977,379</u>
 <b>Liabilities:</b>	  <u>\$ 101,468,021</u>	  <u>\$ 107,178,202</u>	  <u>\$ 93,527,576</u>
Current liabilities	\$ 11,962,544	\$ 11,661,634	\$ 9,845,986
Long-term liabilities	<u>54,119,975</u>	<u>61,644,109</u>	<u>24,640,332</u>
 Total liabilities	 66,082,519	 73,305,743	 34,486,318
 <b>Deferred inflows of resources</b>			
 Total liabilities and deferred inflows of resources	 <u>3,247,019</u>	 <u>1,370,103</u>	 <u>20,213,738</u>
 <b>Net position:</b>	  <u>\$ 69,329,538</u>	  <u>\$ 74,675,846</u>	  <u>\$ 54,700,056</u>
Invested in capital assets - net of related debt	\$ 34,617,490	\$ 29,871,363	\$ 26,204,941
Restricted - nonexpendable permanent endowments	25,000	25,000	25,000
Unrestricted	<u>(2,504,007)</u>	<u>2,605,993</u>	<u>12,597,579</u>
 Total net position	 <u>\$ 32,138,483</u>	 <u>\$ 32,502,356</u>	 <u>\$ 38,827,520</u>

During 2024, current assets decreased \$6,964,463 or 20.9%, driven primarily by a decrease in cash. Cash decreased due to several large capital asset acquisitions. Noncurrent assets increased \$2,664,320 primarily driven by an increase of \$1,279,436 in the OPEB asset and an increase in assets whose use is limited of \$1,305,711. Capital assets increased \$7,658,434 during 2024 primarily due to the Marion Campus project being completed in the current year. Deferred outflows decreased \$9,068,472 due to amortization of prior year deferred outflows exceeding new deferred outflows. Current liabilities increased \$300,910. Long-term liabilities and deferred inflows decreased \$5,346,308 primarily due to a decrease in the net pension and net OPEB liabilities.

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

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**Operating Results and Changes in the Organization's Net Position**

The following is a comparative analysis of the statements of revenues, expenses and changes in net position for the years ended March 31, 2024, 2023 and 2022:

	2024	2023 (As restated)	2022
<b>Operating revenue</b>			
Net patient service revenue	\$ 102,376,450	\$ 94,125,421	\$ 94,776,404
Other operating revenue	4,613,843	3,937,766	3,450,371
<b>Total operating revenues</b>	<b>106,990,293</b>	<b>98,063,187</b>	<b>98,226,775</b>
<b>Operating expenses</b>			
Salaries and wages	41,050,893	38,024,605	32,545,702
Employee benefits	16,722,451	18,584,676	4,709,871
Supplies	13,947,941	13,819,353	12,238,726
Professional fees	16,342,078	16,368,832	14,556,623
Purchased services	3,159,758	2,678,508	2,561,548
Insurance	659,094	620,540	-
Depreciation and amortization	4,983,496	4,074,547	3,287,514
Other operating expenses	10,053,940	9,215,991	11,924,315
<b>Total operating expenses</b>	<b>106,919,651</b>	<b>103,387,052</b>	<b>81,824,299</b>
<b>Operating gain (loss)</b>	<b>70,642</b>	<b>(5,323,865)</b>	<b>16,402,476</b>
<b>Nonoperating gains (losses)</b>			
Interest expense	(803,036)	(631,743)	(400,643)
Grants and contributions	7,300	315,711	156,911
Federal and state awards	655,441	575,618	2,885,073
Other gains	(294,220)	(324,588)	(555,940)
<b>Total nonoperating gains (losses)</b>	<b>(434,515)</b>	<b>(65,002)</b>	<b>2,085,401</b>
<b>Change in net position</b>	<b>(363,873)</b>	<b>(5,388,867)</b>	<b>18,487,877</b>
<b>Net position, beginning of year</b>	<b>32,502,356</b>	<b>38,827,520</b>	<b>20,339,643</b>
Cumulative effect of accounting change	-	(936,297)	-
<b>Net position, beginning of year, as restated</b>	<b>32,502,356</b>	<b>37,891,223</b>	<b>20,339,643</b>
<b>Net position, end of year</b>	<b>\$ 32,138,483</b>	<b>\$ 32,502,356</b>	<b>\$ 38,827,520</b>

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

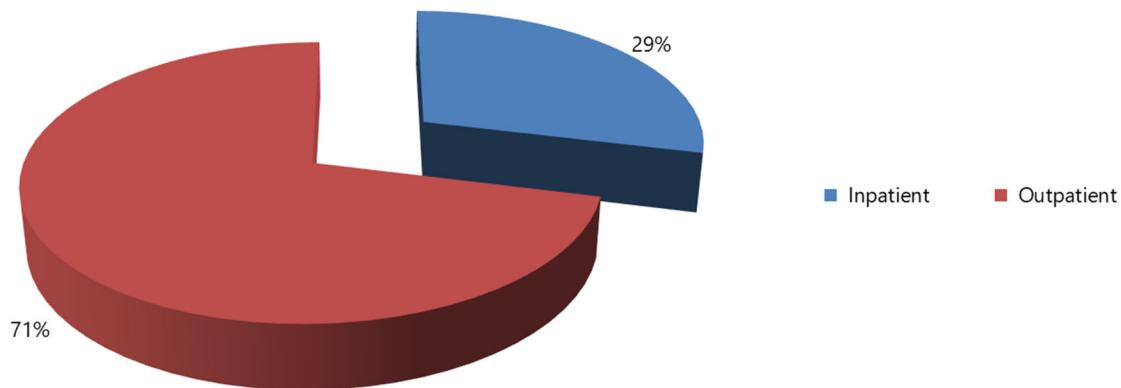
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### **Operating Revenues**

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

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased \$8,251,029 or 8.8%, in 2024. This was attributable to changes in patient volumes and rate increases. Gross patient revenue is reduced by revenue deductions in determining net patient revenue. These deductions include amounts not paid to the Organization under contractual arrangements primarily with Medicare, Medicaid, and commercial payors as well as amounts related to self- pay patients that qualify for charity write-offs based on pre-established financial need criteria and bad debts. These revenue deductions decreased from 2023 to 2024 from 49.7% to 49.3% of gross revenue.
- 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 Organization. The significant operating expense changes from 2023 to 2024 were the result of the following factors:

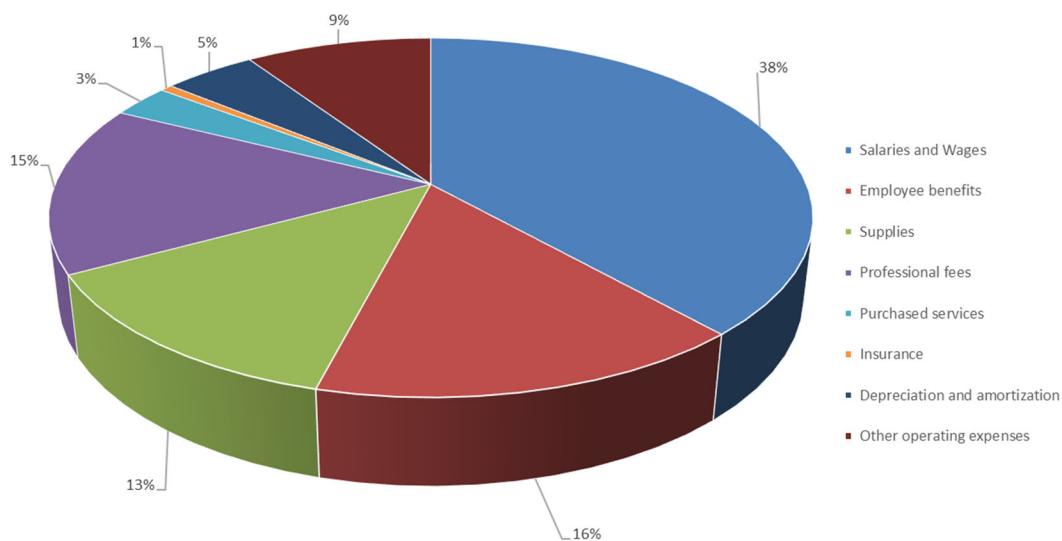
- Salaries and wages expense increased \$3,026,288, or 8.0%, primarily as a result of an increase in full time equivalents and a pay rate increase of 4.0% in 2024. Salaries and wages increased \$5,478,903, or 16.8%, primarily as a result of an increase in full time equivalents in 2023.

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

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- Employee benefits expense decreased \$1,862,225 in 2024. This decrease is attributable to a decrease in the OPERS pension and OPEB plan expenses of approximately \$5,100,000 offset by an increase in medical insurance expense of approximately \$3,100,000. Employee benefits expense increased \$13,874,805 in 2023. This decrease is attributable to an increase in OPERS pension and OPEB plan expenses of approximately \$12,200,000 and an in medical expense of approximately \$3,000,000.

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



**Non-operating Gains (Losses)**

Non-operating gains (losses) are all sources and uses that are primarily non-exchange in nature. They consist primarily of grants and contributions, interest expense, joint venture gains and losses, and interest income. Non-operating losses increased by \$369,513 due to less grants and contributions in 2024 compared to 2023.

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

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**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

	2024	2023 (As restated)	2022
<b>Cash provided by (used in):</b>			
Operating activities	\$ 215,178	\$ 1,415,288	\$ 7,725,368
Non-capital and related financing activities	1,348,939	566,741	(6,673,555)
Investing activities	(1,414,112)	240,905	(194,774)
Capital and related financing activities	<u>(10,611,812)</u>	<u>(9,309,009)</u>	<u>2,486,044</u>
Total	(10,461,807)	(7,086,075)	3,343,083
<b>Cash and cash equivalents - beginning of year</b>	<u>21,977,924</u>	<u>29,063,999</u>	<u>25,720,916</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 11,516,117</u>	<u>\$ 21,977,924</u>	<u>\$ 29,063,999</u>

**Capital Assets**

At March 31, 2024, the Organization had a total investment of \$108,719,657 in gross capital assets and accumulated depreciation and amortization totaled \$55,377,142, resulting in a net carrying value of \$53,342,515. Depreciation and amortization expense for 2024 was \$4,983,496 compared to \$4,074,547 for 2023.

**Debt**

At March 31, 2024, the Organization had \$16,050,180 in long-term debt outstanding compared to \$12,134,458 at March 31, 2023. In December 2023, the Organization received a loan for the Marion Campus project for \$4,700,000. The Organization continues to pay down its debt obligations as prescribed in the debt schedules. More detailed information about the Organization's long-term liabilities is presented in the notes to the financial statements.

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

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**Economic Factors that Will Affect the Future**

Strategic Planning

The fiscal year end March 31, 2025, budget includes expenses, as well as planned capital purchases, aimed at continuing to meet the mission of the Organization and ensure long-term sustainability. This budget is focused on returning to a more stable financial ground, as the Organization adjusts combat payer mix changes and inflationary pressures during a time when the Organization continues to grow.

In step with previous fiscal budgets, the fiscal budget for year end March 31, 2025, is focused on six initiatives as outlined in the FYE 2020-2025 Strategic Plan: 1) building team, integration, and shared responsibility; 2) healthy community; 3) planning for strategic growth; 4) investing in quality and strengthening our product; 5) patient experience and loyalty; and 6) staying committed to financial sustainability.

As the Organization move towards the end of our current five-year strategic plan, the Organization will be spending time over the next fiscal year developing a new five year strategic plan running from fiscal year end 2026 – 2030.

Healthcare Trends

Nearly four years after its onset, the healthcare industry continues to feel the effects from the Coronavirus pandemic (COVID-19). While inflationary pressure has eased a bit, the healthcare industry continues to experience staffing shortages that are driving up labor costs.

Relationships between healthcare systems and payers continue to be of great importance as increased denials and poor reimbursement for services provided are plaguing systems across the country. The end of the COVID-19 public health emergency last spring resulted in the cutting of crucial funding for many health systems.

Providers have started to weave artificial intelligence into their workflows, including in areas like revenue cycle management, clinical decision support and patient engagement.

Healthcare providers will continue to face pressure to better protect themselves from cyberattacks, which have risen in volume and severity over the past few years.

Furthermore, healthcare organizations are closely watching the 2024 United States Presidential Race, as that will surely bring more changes to the industry.

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

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The following categories were incorporated as "Revenues-At-Risk" and are shown as deductions from gross patient revenue and/or adjustments to contractual allowances. The Organization is currently designated as a Medicare Low Volume and Medicare Dependent Hospital, which is not at risk during this budget period. Revenue at risk programs factored into this budget are as follows:

**Potential Income Decreases:**

• Hospital – Recovery Audit Contractors Audits	\$275,000
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**Potential Income Increases:**

• MEDF – Comprehensive Primary Care Plus	\$600,000
• MEDF – Comprehensive Primary Care	\$100,000
• MEDF – Patient Centered Care	\$250,000

**Future Financial Overview**

The 2024-2025 operating budget for the Organization provides a budgeted net profit of \$759,558. This budget reflects a conservative approach, but is a reasonable expectation as we look to improve the financial position of the Organization despite challenging market and economic conditions.

**Contacting the Organization's Management**

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

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## STATEMENTS OF NET POSITION MARCH 31, 2024 AND 2023

### ASSETS AND DEFERRED OUTFLOWS

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2023		2023	
	2024	(As restated)	2024	(As restated)
<b>Current assets</b>				
Cash and cash equivalents	\$ 6,616,100	\$ 16,685,991	\$ 346,527	\$ 192,335
Patient accounts receivable, net of uncollectible accounts of \$4,376,665 and \$4,188,982 in 2024 and 2023, respectively	15,858,914	13,060,024	-	-
Other receivables, current	1,240,317	1,593,931	-	-
Estimated settlement amounts due from third party	301,948	-	-	-
Pledge receivables, net	-	-	500,000	12,000
Investments	-	-	-	81,272
Inventories	2,091,395	1,809,091	-	-
Prepaid expenses and other current assets	301,975	226,075	-	-
Total current assets	26,410,649	33,375,112	846,527	285,607
<b>Noncurrent assets</b>				
Assets whose use is limited	6,254,726	4,949,015	863,991	139,379
Other receivables, noncurrent	458,094	667,987	-	-
Net pension asset	355,773	287,515	-	-
Net other post-employment benefit asset	1,279,436	-	-	-
Interest rate swap	746,776	634,369	-	-
Other investments	1,771,153	1,662,752	-	-
Total noncurrent assets	10,865,958	8,201,638	863,991	139,379
<b>Capital assets, net</b>	<b>53,342,515</b>	<b>45,684,081</b>	<b>-</b>	<b>-</b>
Total assets	90,619,122	87,260,831	1,710,518	424,986
<b>Deferred outflow of resources</b>				
Pension	9,642,253	16,989,640	-	-
Other post-employment benefits	1,206,646	2,927,731	-	-
Total deferred outflows of resources	10,848,899	19,917,371	-	-
Total assets and deferrals	\$ 101,468,021	\$ 107,178,202	\$ 1,710,518	\$ 424,986

*See accompanying notes to financial statements.*

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## STATEMENTS OF NET POSITION

MARCH 31, 2024 AND 2023

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2023		2023	
	2024	(As restated)	2024	(As restated)
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 950,720	\$ 709,486	\$ -	\$ -
Current portion of subscription-based information technology arrangements liability	739,652	682,966	-	-
Current portion of lease liability	334,338	320,450	-	-
Accounts payable	2,984,389	4,180,746	-	-
Accrued wages, benefits and other	2,529,913	2,171,647	-	-
Accrued compensated absences	3,209,504	3,074,881	-	-
Estimated settlement amounts due to third party	-	521,458	-	-
Current portion of refundable advance	1,214,028	-	-	-
Total current liabilities	11,962,544	11,661,634	-	-
<b>Long-term liabilities</b>				
Long-term debt, net of current portion	15,099,460	11,424,972	-	-
Long-term portion of subscription-based information technology arrangements liability	731,823	1,471,475	-	-
Long-term portion of lease liability	869,032	1,203,369	-	-
Net pension liability	37,419,660	46,557,177	-	-
Net other post-employment benefit liability	-	987,116	-	-
Total long-term liabilities	54,119,975	61,644,109	-	-
Total liabilities	66,082,519	73,305,743	-	-
<b>Deferred inflow of resources</b>				
Interest rate swap	746,776	634,369	-	-
Pension	1,764,074	132,891	-	-
Other post-employment benefits	736,169	602,843	-	-
Total deferred inflow of resources	3,247,019	1,370,103	-	-
Total liabilities and deferred inflows of resources	69,329,538	74,675,846	-	-
<b>Net position</b>				
Invested in capital assets, net of related debt	34,617,490	29,871,363	-	-
Restricted for:				
Nonexpendable:				
Endowments	25,000	25,000	-	-
Expendable:				
Restricted based on donor's intent	-	-	513,403	56,855
Time restricted	-	-	500,000	12,000
Unrestricted	(2,504,007)	2,605,993	697,115	356,131
Total net position	32,138,483	32,502,356	1,710,518	424,986
Total liabilities, deferrals and net position	\$ 101,468,021	\$ 107,178,202	\$ 1,710,518	\$ 424,986

See accompanying notes to financial statements.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED MARCH 31, 2024 AND 2023

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2023		2023	
	2024	(As restated)	2024	(As restated)
<b>Operating revenue</b>				
Net patient service revenue	\$ 102,376,450	\$ 94,125,421	\$ -	\$ -
Other operating revenue	4,613,843	3,937,766	1,322,705	51,561
Total operating revenues	<u>106,990,293</u>	<u>98,063,187</u>	<u>1,322,705</u>	<u>51,561</u>
<b>Operating expenses</b>				
Salaries and wages	41,050,893	38,024,605	-	-
Employee benefits	16,722,451	18,584,676	-	-
Supplies	13,947,941	13,819,353	-	-
Professional fees	16,342,078	16,368,832	-	-
Purchased services	3,159,758	2,678,508	-	-
Insurance	659,094	620,540	-	-
Depreciation and amortization	4,983,496	4,074,547	-	-
Other operating expenses	10,053,940	9,215,991	42,860	45,463
Donation expense	-	-	25,250	114,924
Total operating expenses	<u>106,919,651</u>	<u>103,387,052</u>	<u>68,110</u>	<u>160,387</u>
<b>Operating gain (loss)</b>	70,642	(5,323,865)	1,254,595	(108,826)
<b>Nonoperating gains (losses)</b>				
Interest expense	(803,036)	(631,743)	-	-
Grants and contributions	7,300	315,711	-	-
Federal and state awards	655,441	575,618	-	-
Other gains (losses)	(294,220)	(324,588)	30,937	(10,034)
Total nonoperating (losses)	<u>(434,515)</u>	<u>(65,002)</u>	<u>30,937</u>	<u>(10,034)</u>
<b>Change in net position</b>	(363,873)	(5,388,867)	1,285,532	(118,860)
<b>Net assets, beginning of year</b>				
Beginning of year, as previously stated	32,502,356	38,827,520	424,986	543,846
Cumulative effect of accounting change	-	(936,297)	-	-
<b>Net position, beginning of year, as restated</b>	<u>32,502,356</u>	<u>37,891,223</u>	<u>424,986</u>	<u>543,846</u>
<b>Net position, end of year</b>	<u><u>\$ 32,138,483</u></u>	<u><u>\$ 32,502,356</u></u>	<u><u>\$ 1,710,518</u></u>	<u><u>\$ 424,986</u></u>

See accompanying notes to financial statements.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## STATEMENTS OF CASH FLOWS

### YEARS ENDED MARCH 31, 2024 AND 2023

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2023		2023	
	2024	(As restated)	2024	(As restated)
<b>Cash flows from operating activities</b>				
Cash received from patients and third-party payors	\$ 98,754,154	\$ 92,544,473	\$ -	\$ -
Cash payments to employees and related benefits	(57,919,801)	(51,737,391)	-	-
Cash payments to suppliers for services and goods	(45,233,018)	(41,755,713)	(68,110)	(160,387)
Other operating revenue	4,613,843	2,363,919	834,705	72,661
Net cash flows from operating activities	<u>215,178</u>	<u>1,415,288</u>	<u>766,595</u>	<u>(87,726)</u>
<b>Cash flows from non-capital and related financing activities</b>				
Other gains (losses)	(527,830)	(324,588)	-	-
Grants and contributions	7,300	315,711	-	-
Federal and state awards	1,869,469	575,618	-	-
Net cash flows from non-capital and related financing activities	<u>1,348,939</u>	<u>566,741</u>	-	-
<b>Cash flows from investing activities</b>				
Gain on joint ventures	(108,401)	(102,013)	-	-
Investment (gain) loss	(162,167)	-	30,937	(10,034)
Purchase of investments	(3,846,425)	(2,310,965)	(724,612)	-
Proceeds from sale of investments	2,702,881	2,653,883	81,272	53,426
Net cash flows from investing activities	<u>(1,414,112)</u>	<u>240,905</u>	<u>(612,403)</u>	<u>43,392</u>
<b>Cash flows from capital and related financing activities</b>				
Issuance of long-term debt	4,700,000	-	-	-
Principal payments on long-term debt	(784,278)	(689,245)	-	-
Principal payments on lease obligations	(320,449)	(186,783)	-	-
Principal payments on subscription-based information technology arrangement obligations	(682,966)	(630,625)	-	-
Interest paid	(803,036)	(631,743)	-	-
Acquisition and construction of capital assets	(12,721,083)	(7,170,613)	-	-
Net cash flows from capital and related financing activities	<u>(10,611,812)</u>	<u>(9,309,009)</u>	-	-
Net change in cash and cash equivalents	(10,461,807)	(7,086,075)	154,192	(44,334)
<b>Cash and cash equivalents, beginning of year - as restated</b>	<b>19,324,041</b>	<b>26,410,116</b>	<b>192,335</b>	<b>236,669</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,862,234</b>	<b>\$ 19,324,041</b>	<b>\$ 346,527</b>	<b>\$ 192,335</b>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents	\$ 6,616,100	\$ 16,685,991	\$ 346,527	\$ 192,335
Assets whose use is limited - cash and cash equivalents	<u>2,246,134</u>	<u>2,638,050</u>	-	-
<b>Total cash and cash equivalents</b>	<b>\$ 8,862,234</b>	<b>\$ 19,324,041</b>	<b>\$ 346,527</b>	<b>\$ 192,335</b>

See accompanying notes to financial statements.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2024 AND 2023

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational, and Development Foundation	
	2024		2023	
	2024	(As restated)	2024	(As restated)
<b>Cash flows from operating activities</b>				
Operating gain (loss)	\$ 70,642	\$ (5,323,865)	\$ 1,254,595	\$ (108,826)
<b>Adjustments to reconcile operating gain (loss) to net cash from operating activities:</b>				
Depreciation and amortization	4,983,496	4,074,547	-	-
Provision for bad debts	4,190,099	3,285,917	-	-
Loss on disposal of capital assets	(79,153)	-	-	-
Pension (benefit) expense (GASB 68)	(227,205)	5,762,641	-	-
Other post-employment benefit (GASB 75)	(412,141)	(1,241,160)	-	-
<b>Changes in assets and liabilities</b>				
Patient accounts receivable	(6,988,989)	(4,136,476)	-	-
Other receivables	563,507	(1,573,847)	(488,000)	21,100
Inventories	(282,304)	(124,950)	-	-
Prepaid expenses and other current assets	(75,900)	32,830	-	-
Accounts payable	(1,196,357)	966,200	-	-
Accrued wages, benefits and other	358,266	257,685	-	-
Estimated third-party settlements	(823,406)	(730,389)	-	-
Accrued compensated absences	134,623	166,155	-	-
Net cash flow from operating activities	<b>\$ 215,178</b>	<b>\$ 1,415,288</b>	<b>\$ 766,595</b>	<b>\$ (87,726)</b>
<b>Supplemental disclosure of noncash capital financing activities</b>				
Assets acquired under lease liabilities	\$ -	\$ 1,710,602	\$ -	\$ -

See accompanying notes to financial statements.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Medical, Educational and Development Foundation (the Foundation) is included as a discretely presented component unit in a separate column in the Organization's financial statements to emphasize that it is legally separate from the Organization. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Organization in support of its programs. Although the Organization does not control the timing or the amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the Organization. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Organization, it is considered a component unit of the Organization.

#### 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 GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Organization follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at the Organization's financial activities. The financial statements include MEDF as a blended component unit in the financial statements.

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# **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2024 AND 2023**

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### 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.

### Proprietary Fund Accounting

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

### Cash and Cash Equivalents

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

### Other Receivables

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

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# **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2024 AND 2023**

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### Pledge Receivables

Pledge receivables consist of amounts that have been unconditionally promised to the Foundation. Pledges receivable that are expected to be collected in less than one year are reported at fair value. Pledges receivable that are expected to be collected in more than one year are recorded at the net realizable value at the date of promise. The net realizable value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional pledge income. Management estimates an allowance for uncollectible pledge receivables based on current economic conditions, historical trends, and current and past experience with their donor base. Pledge receivables of \$500,000 and \$12,000 as of March 31, 2024 and 2023, respectively, are due within one year. There were no unamortized discounts or allowances for uncollectible pledges as of March 31, 2024 and 2023.

### Capital Assets

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

### Compensated Absences

Paid time off is charged to operations when earned. The earned and unused 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. Payment of accrued vacation days and accrued sick leave is based on the employee's rate of pay at the time of termination. Upon termination the maximum payout shall not exceed 240 hours for vacation time and 260 hours for sick leave.

### Patient Accounts Receivable and Net Patient Service Revenue

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

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.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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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.

### Pension and Postemployment Benefits Other Than Pensions (OPEB)

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

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

### Net Position

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

### Gain (Loss) from Operations

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

### Grants and Contributions

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts 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 Organization reports the expiration of donor restrictions when the assets are placed in service.

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# **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2024 AND 2023**

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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.

### 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 \$106,920,000 and \$103,387,000 during 2024 and 2023, respectively), an estimated \$293,000 and \$180,000 arose from providing services to charity patients during 2024 and 2023, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Organization's total operating expenses divided by gross patient service revenue. The Organization participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts recognized through this program were an expense of approximately \$522,000 in 2024 and a gain of approximately \$330,000 in 2023 and are reported as net patient service revenue in the financial statements.

### Federal Income Tax

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

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

The Foundation has filed its applicable federal and state income tax returns for periods through March 31, 2023. This income tax return is generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these entities and has concluded that as of March 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The entity is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is September 9, 2024.

## 2. CHANGE IN ACCOUNTING PRINCIPLE, CORRECTION OF ERROR, AND RECLASSIFICATIONS

### Hospital and MEDF

#### *Change in Accounting Principle*

In 2024, the Organization implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96), which requires Subscription-Based Information Technology Arrangements (SBITAs) that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs were not recorded in the statement of net position.

#### *Correction of Error*

During 2024, management discovered that the Organization had improperly accounted for accounts receivable and net patient service revenue for the Hospital and the blended component unit, MEDF. This resulted in an overstatement of current assets and operating revenue for 2023. The 2023 financial statements have been restated to properly reflect the proper accounting of the accounts receivable and net patient service revenue. The restatement of the 2023 financial statements had a negative effect of \$1,500,000 on net position.

#### *Reclassifications*

Certain amounts in the 2023 financial statements have been reclassified to confirm to the current year presentation. There were no changes to net assets as a result of these reclassifications.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

The effect on overall net position and change in net position as a result of the change in accounting principle, correction of error and reclassifications are shown in the tables below.

### Statements of Net Position

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
<b>Assets</b>					
Patient accounts receivable, net	\$ 14,560,024	\$ (1,500,000)	\$ -	\$ -	\$ 13,060,024
Prepaid expenses and other current assets	93,734	-	-	132,341	226,075
Capital assets, net	44,307,338	-	1,376,743	-	45,684,081
<b>Total assets</b>	<b>87,251,747</b>	<b>(1,500,000)</b>	<b>1,376,743</b>	<b>132,341</b>	<b>87,260,831</b>
<b>Liabilities</b>					
Current portion of subscription-based information	-	-	682,966	-	682,966
Accounts payable	4,048,405	-	-	132,341	4,180,746
Long-term portion of subscription-based information technology arrangements liability	-	-	1,471,475	-	1,471,475
<b>Total liabilities</b>	<b>71,018,961</b>	<b>-</b>	<b>2,154,441</b>	<b>132,341</b>	<b>73,305,743</b>
<b>Net position</b>					
Invested in capital assets, net of related debt	30,649,061	-	(777,698)	-	29,871,363
Unrestricted	4,105,993	(1,500,000)	-	-	2,605,993
<b>Total net position</b>	<b>34,780,054</b>	<b>(1,500,000)</b>	<b>(777,698)</b>	<b>-</b>	<b>32,502,356</b>
Total liabilities, deferred inflows of resources and net position	\$ 107,169,118	\$ (1,500,000)	\$ 1,376,743	\$ 132,341	\$ 107,178,202

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

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
<b>Revenue</b>					
Net patient service revenue	\$ 94,875,421	\$ (750,000)	\$ -	\$ -	\$ 94,125,421
Other operating revenue	4,687,766	(750,000)	-	-	3,937,766
<b>Total operating revenues</b>	<b>99,563,187</b>	<b>(1,500,000)</b>	<b>-</b>	<b>-</b>	<b>98,063,187</b>
<b>Expenses</b>					
Employee benefits	18,658,107	-	-	(73,431)	18,584,676
Purchased services	3,509,148	-	(830,640)	-	2,678,508
Insurance	-	-	-	620,540	620,540
Depreciation and amortization	3,602,521	-	472,026	-	4,074,547
Other operating expenses	9,763,100	-	-	(547,109)	9,215,991
<b>Total operating expenses</b>	<b>103,745,666</b>	<b>-</b>	<b>(358,614)</b>	<b>-</b>	<b>103,387,052</b>
Operating gain (loss)	(4,182,479)	(1,500,000)	358,614	-	(5,323,865)
Nonoperating gains (losses)					
Interest expense	(431,728)	-	(200,015)	-	(631,743)
<b>Total nonoperating gains (losses)</b>	<b>135,013</b>	<b>-</b>	<b>(200,015)</b>	<b>-</b>	<b>(65,002)</b>
Change in net position	(4,047,466)	(1,500,000)	158,599		(5,388,867)
<b>Net assets</b>					
Net assets, beginning of year	38,827,520	-	(936,297)	-	37,891,223
<b>Net assets, end of year</b>	<b>\$ 34,780,054</b>	<b>\$ (1,500,000)</b>	<b>\$ (777,698)</b>	<b>\$ -</b>	<b>\$ 32,502,356</b>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

### Statement of Cash Flows

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
Cash flows from operating activities					
Cash received from patients and third-party payors	\$ 91,794,473	\$ 750,000	\$ -	\$ -	\$ 92,544,473
Cash payments to suppliers for services and goods	(42,586,353)	-	830,640	-	(41,755,713)
Other operating revenue	3,113,919	(750,000)	-	-	2,363,919
Net cash flows from operating activities	584,648	-	830,640	-	1,415,288
Cash flows from investing activities					
Purchase of investments	-	(2,310,965)	-	-	(2,310,965)
Proceeds from sale of investments	-	2,653,883	-	-	2,653,883
Net cash flows from investing activities	(102,013)	342,918	-	-	240,905
Cash flows from capital and related financing activities					
Principal payments on long-term debt	(876,028)	-	-	186,783	(689,245)
Principal payments on lease obligations	-	-	-	(186,783)	(186,783)
Principal payments on subscription-based information technology arrangement obligations	-	-	(630,625)	-	(630,625)
Interest paid	(431,728)	-	(200,015)	-	(631,743)
Net cash flows from capital and related financing activities	(8,478,369)	-	(830,640)	-	(9,309,009)
Net change in cash and cash equivalents	(7,428,993)	342,918	-	-	(7,086,075)
Cash and cash equivalents, beginning of year	29,063,999	(2,653,883)	-	-	26,410,116
Cash and cash equivalents, end of year	21,635,006	(2,310,965)	-	-	19,324,041
Reconciliation of cash and cash equivalents					
Assets whose use is limited - cash and cash equivalents	4,949,015	(2,310,965)	-	-	2,638,050
Total cash and cash equivalents	\$ 21,635,006	\$ (2,310,965)	\$ -	\$ -	\$ 19,324,041

### Foundation

#### Correction of Error

During 2024, management discovered that the Foundation had improperly accounted for cash and cash equivalents, assets whose use is limited, operating revenue, operating expenses and nonoperating revenue. This resulted in an overstatement of net position for 2023. The 2023 financial statements have been restated to properly reflect the proper accounting. The effect on the Foundation overall net position and change in net position as a result of this correction are shown in the tables below.

#### Statements of Net Position

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
Assets					
Cash and cash equivalents	\$ 311,986	\$ -	\$ -	\$ (119,651)	\$ 192,335
Assets whose use is limited	200,000	(180,272)	-	119,651	139,379
Total assets	605,258	(180,272)	-	-	424,986
Net position					
Unrestricted	536,403	(180,272)	-	-	356,131
Total net position	\$ 605,258	\$ (180,272)	\$ -	\$ -	\$ 424,986

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

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

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
Revenue					
Other operating revenue	\$ 245,920	\$ (194,359)	\$ -	\$ -	\$ 51,561
Total operating revenues	245,920	(194,359)	-	-	51,561
Expenses					
Other operating expenses	28,222	17,241	-	-	45,463
Donation expense	28,545	86,379	-	-	114,924
Total operating expenses	56,767	103,620	-	-	160,387
Operating gain (loss)	189,153	(297,979)	-	-	(108,826)
Nonoperating gains (losses)					
Other gains (losses)	(127,741)	117,707	-	-	(10,034)
Total nonoperating gains (losses)	(127,741)	117,707	-	-	(10,034)
Change in net position	61,412	(180,272)	-	-	(118,860)
Net assets					
Net assets, end of year	\$ 605,258	\$ (180,272)	\$ -	\$ -	\$ 424,986

### Statement of Cash Flows

	As previously stated, March 31, 2023	Effects of Correction of Error	Effects of Change in Accounting Principle	Reclassification	As restated, March 31, 2023
Cash flows from operating activities					
Cash payments to employees for services	\$ (56,767)	\$ 56,767	\$ -	\$ -	\$ -
Cash payments to suppliers for services and goods	-	(160,387)	-	-	(160,387)
Other operating revenue	267,020	(194,359)	-	-	72,661
Net cash flows from operating activities	210,253	(297,979)	-	-	(87,726)
Cash flows from non-capital and related financing activities					
Other gains (losses)	(142,131)	142,131	-	-	-
Net cash flows from non-capital and related financing activities	(142,131)	142,131	-	-	-
Cash flows from investing activities					
Investment (gain) loss	-	(10,034)	-	-	(10,034)
Proceeds from sale of investments	7,195	46,231	-	-	53,426
Net cash flows from investing activities	7,195	36,197	-	-	43,392
Net change in cash and cash equivalents	75,317	(119,651)	-	-	(44,334)
Cash and cash equivalents, end of year	\$ 311,986	\$ (119,651)	\$ -	\$ -	\$ 192,335

### 3. DEPOSITS AND INVESTMENTS

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

	2024		2023	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts	\$ 8,862,234	\$ 8,862,234	\$ 19,324,041	\$ 19,324,041
Certificates of deposit	4,008,592	4,008,592	2,310,965	2,310,965
Total	\$ 12,870,826	\$ 12,870,826	\$ 21,635,006	\$ 21,635,006

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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	2024		2023	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type-				
General funds:				
Cash	\$ 6,616,100	\$ 6,616,100	\$ 16,685,991	\$ 16,685,991
Assets whose use is limited	<u>6,254,726</u>	<u>6,254,726</u>	<u>4,949,015</u>	<u>4,949,015</u>
<b>Total</b>	<b><u>\$ 12,870,826</u></b>	<b><u>\$ 12,870,826</u></b>	<b><u>\$ 21,635,006</u></b>	<b><u>\$ 21,635,006</u></b>

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

	2024		2023	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts				
Certificates of deposit	\$ 490,917	\$ 490,917	\$ 331,714	\$ 331,714
	<u>719,601</u>	<u>719,601</u>	<u>81,272</u>	<u>81,272</u>
<b>Total</b>	<b><u>\$ 1,210,518</u></b>	<b><u>\$ 1,210,518</u></b>	<b><u>\$ 412,986</u></b>	<b><u>\$ 412,986</u></b>
Amounts summarized by fund type-				
General funds:				
Cash	\$ 346,527	\$ 346,527	\$ 192,335	\$ 192,335
Investments	-	-	81,272	81,272
Assets whose use is limited	<u>863,991</u>	<u>844,390</u>	<u>139,379</u>	<u>139,379</u>
<b>Total</b>	<b><u>\$ 1,210,518</u></b>	<b><u>\$ 1,190,917</u></b>	<b><u>\$ 412,986</u></b>	<b><u>\$ 412,986</u></b>

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.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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At March 31, 2024 and 2023, the Organization had \$13,857,023 and \$22,172,259, respectively, of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution.

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

	Carrying Amount	Maturities	
		< than one year	> than one year
<hr/>			
March 31, 2024			
Certificates of deposit	\$ 4,008,592	\$ 4,008,592	\$ -
<hr/>			
	Carrying Amount	Maturities	
		< than one year	> than one year
<hr/>			
March 31, 2023			
Certificates of deposit	\$ 2,310,965	\$ 2,310,965	\$ -
<hr/>			

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

	Carrying Amount	Maturities	
		< than one year	> than one year
<hr/>			
March 31, 2024			
Certificates of deposit	\$ 719,601	\$ 616,429	\$ 103,172
<hr/>			
	Carrying Amount	Maturities	
		< than one year	> than one year
<hr/>			
March 31, 2023			
Certificates of deposit	\$ 81,272	\$ 81,272	\$ -
<hr/>			

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

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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

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

### 4. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2024	2023
Gross patient accounts receivable	\$ 31,503,102	\$ 26,613,574
Less allowance for:		
Uncollectible accounts	(4,376,665)	(4,188,982)
Contractual adjustments	<u>(11,267,523)</u>	<u>(9,364,568)</u>
Net patient accounts receivable	<u>\$ 15,858,914</u>	<u>\$ 13,060,024</u>

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

	Accounts Receivable		Gross Revenue	
	2024	2023	2024	2023
Medicare	31%	29%	49%	48%
Medicaid	9%	11%	9%	10%
Self-pay	28%	26%	1%	1%
Commercial and other	32%	34%	41%	41%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

### 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2024 was as follows:

	2023	Additions	Retirements	Transfers	2024
<b>Non-depreciable capital assets:</b>					
Land	\$ 198,316	\$ -	\$ -	\$ -	\$ 198,316
Construction in progress	1,637,578	- -	- -	(198,195)	1,439,383
Total non-depreciable capital assets	<u>1,835,894</u>	<u>- -</u>	<u>- -</u>	<u>(198,195)</u>	<u>1,637,699</u>
<b>Depreciable capital assets:</b>					
Land improvements	888,079	21,596	- -	- -	909,675
Buildings and leasehold improvements	56,479,041	9,638,956	(36,590)	- -	66,081,407
Equipment	33,039,580	3,060,531	(2,638,292)	198,195	33,660,014
Total depreciable capital assets	<u>90,406,700</u>	<u>12,721,083</u>	<u>(2,674,882)</u>	<u>198,195</u>	<u>100,651,096</u>
<b>Less accumulated depreciation:</b>					
Land improvements	614,030	28,862	- -	- -	642,892
Buildings and leasehold improvements	26,293,995	2,057,650	(35,102)	- -	28,316,543
Equipment	22,551,050	2,155,580	(2,560,627)	- -	22,146,003
Total accumulated depreciation	<u>49,459,075</u>	<u>4,242,092</u>	<u>(2,595,729)</u>	<u>- -</u>	<u>51,105,438</u>
Total depreciable capital assets, net	<u>40,947,625</u>	<u>8,478,991</u>	<u>(79,153)</u>	<u>198,195</u>	<u>49,545,658</u>
<b>Intangible right-to-use assets:</b>					
Leased equipment	1,710,602	- -	- -	- -	1,710,602
SBITA assets	4,720,260	- -	- -	- -	4,720,260
Total intangible right-to-use assets	<u>6,430,862</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>6,430,862</u>
<b>Less accumulated amortization:</b>					
Leased equipment	186,783	269,378	- -	- -	456,161
SBITA assets	3,343,517	472,026	- -	- -	3,815,543
Total accumulated amortization	<u>3,530,300</u>	<u>741,404</u>	<u>- -</u>	<u>- -</u>	<u>4,271,704</u>
Total intangible right-to-use assets, net	<u>2,900,562</u>	<u>(741,404)</u>	<u>- -</u>	<u>- -</u>	<u>2,159,158</u>
<b>Capital assets, net</b>	<b><u>\$ 45,684,081</u></b>	<b><u>\$ 7,737,587</u></b>	<b><u>\$ (79,153)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 53,342,515</u></b>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

Capital asset activity for the year ended March 31, 2023 was as follows:

	2022	Additions	Retirements	Transfers	2023
<b>Non-depreciable capital assets:</b>					
Land	\$ 198,316	\$ -	\$ -	\$ -	\$ 198,316
Construction in progress	673,014	964,564	-	-	1,637,578
Total non-depreciable capital assets	871,330	964,564	-	-	1,835,894
<b>Depreciable capital assets:</b>					
Land improvements	888,079	-	-	-	888,079
Buildings and leasehold improvements	54,553,906	1,935,900	(10,765)	-	56,479,041
Equipment	29,159,860	4,270,149	(390,429)	-	33,039,580
Total depreciable capital assets	84,601,845	6,206,049	(401,194)	-	90,406,700
<b>Less accumulated depreciation:</b>					
Land improvements	586,026	28,004	-	-	614,030
Buildings and leasehold improvements	24,975,339	1,332,014	(13,358)	-	26,293,995
Equipment	20,883,166	2,055,720	(387,836)	-	22,551,050
Total accumulated depreciation	46,444,531	3,415,738	(401,194)	-	49,459,075
Total depreciable capital assets, net	38,157,314	2,790,311	-	-	40,947,625
<b>Intangible right-to-use assets:</b>					
Leased equipment	-	1,710,602	-	-	1,710,602
SBITA assets	4,720,260	-	-	-	4,720,260
Total intangible right-to-use assets	4,720,260	1,710,602	-	-	6,430,862
<b>Less accumulated amortization:</b>					
Leased equipment	-	186,783	-	-	186,783
SBITA assets	2,871,491	472,026	-	-	3,343,517
Total accumulated amortization	2,871,491	658,809	-	-	3,530,300
Total intangible right-to-use assets, net	1,848,769	1,051,793	-	-	2,900,562
<b>Capital assets, net</b>	<b>\$ 40,877,413</b>	<b>\$ 4,806,668</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,684,081</b>

## 6. LEASE AND SBITA OBLIGATIONS

In 2023, the Organization implemented the guidance of GASB Statement No. 87 – Leases for accounting and reporting leases that had previously been reported as operating leases. In 2024, the Organization implemented the guidance of GASB Statement No. 96 – SBITAs that has previously been reported as expense and not reported in the statement of net position.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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At implementation of GASB 87 and GASB 96 and the commencement of leases and SBITAs beginning after the implementation, the Organization initially measured the lease liability and SBITA liability at present value of payments expected to be made during the remaining lease and SBITA term. Subsequently, the lease liability and SBITA liability are reduced by the principal portion of payments made. The intangible right-to-use asset was initially measured as the initial amount of the lease liability and SBITA liability, adjusted for lease and SBITA payments made at or before the lease and SBITA commencement date, plus certain initial direct costs. Subsequently, the intangible right-to-use asset is amortized on a straight-line basis over its useful life.

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

The Organization monitors changes in circumstances that would require a remeasurement of its leases and SBITAs and will remeasure the lease and SBITA asset and liability if certain changes occur that are expected to significantly alter the amount of the lease and SBITA liability.

### Lease Liabilities

The Organization entered into a lease in August 2022 relating to robotic surgical equipment. Term of this lease is 60 months with monthly minimum payments of \$31,585. For purposes of discounting future payments on the lease, the Organization uses the interest rate stated in the lease agreement of 4.25%. The accumulated amortization of the right-to-use asset of the lease equipment is outlined in note 5.

Remaining payments on this lease at March 31, 2024 include:

	Principal	Interest	Total
2025	\$ 334,338	\$ 44,680	\$ 379,018
2026	348,827	30,191	379,018
2027	363,945	15,074	379,018
2028	156,260	1,664	157,924
Totals	<u>\$ 1,203,370</u>	<u>\$ 91,609</u>	<u>\$ 1,294,978</u>

## MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

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The progressions for lease liabilities for 2024 and 2023 are as follows:

March 31, 2023	Additions	Reductions	March 31, 2024	Current Portion
\$ 1,523,819	\$ -	\$ (320,449)	\$ 1,203,370	\$ 334,338
March 31, 2022	Additions	Reductions	March 31, 2023	Current Portion
\$ -	\$ 1,710,602	\$ (186,783)	\$ 1,523,819	\$ 320,450

#### *SBITA Liabilities*

SBITA agreements under GASB 96 for the Organization include its health information technology software. The initial term of this SBITA was 120 months, with 23 months remaining as of March 31, 2024. The SBITA agreement requires monthly payments of \$69,220. The discount rate used for this SBITA is 8.00%.

Remaining payments on SBITA liabilities at March 31, 2024 include:

	Principal	Interest	Total
2025	\$ 739,652	\$ 90,988	\$ 830,640
2026	731,823	29,597	761,420
Totals	<u>\$ 1,471,475</u>	<u>\$ 120,585</u>	<u>\$ 1,592,060</u>

The progressions for SBITA liabilities for 2024 and 2023 are as follows:

March 31, 2023	Additions	Reductions	March 31, 2024	Current Portion
\$ 2,154,441	\$ -	\$ (682,966)	\$ 1,471,475	\$ 739,652
March 31, 2022	Additions	Reductions	March 31, 2023	Current Portion
\$ 2,785,066	\$ -	\$ (630,625)	\$ 2,154,441	\$ 682,966

## 7. ESTIMATED AMOUNTS DUE TO/FROM THIRD-PARTY PAYORS

For 2024 and 2023, approximately 58% of the Organization's revenues from patient services are received from the Medicare and Medicaid programs. The Organization had 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.

## **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

### **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2024 AND 2023**

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

#### **Medicare**

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

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

#### **Medicaid**

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

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

#### **Commercial Payors**

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

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### 8. OTHER ASSETS

The Organization is a member of the West Central Ohio Regional Healthcare Alliance, Ltd. (WCORHA) along with four other area hospitals. The Organization along with three other members of WCORHA assist in the daily operations of the Cancer Network of West Central Ohio ("Cancer Network"). In regards to the Cancer Network, the Organization maintains a 33% ownership which is accounted for on the equity method. The carrying amount of the Organization's equity interest in this entity is \$784,408 and \$742,729 at March 31, 2024 and 2023, respectively, and is included in other assets on the Statements of Net Position. Gains/(losses) from the Cancer Network included in nonoperating gains/(losses) were (\$83,322) and \$61,576 in 2024 and 2023, respectively.

The Organization has entered into a joint venture agreement with Joint Township District Memorial Hospital with respect to the ownership and expansion of a medical office building. A nonprofit real estate holding company, Celina Pro Health Building Corp., and a nonprofit management company, Celina Pro Health, were formed as a result of the joint venture. The Organization has a 50% ownership in each of these entities. The Organization accounts for its interest in these joint ventures on the equity method. The carrying amount of the Organization's equity interest in these entities was \$986,745 and \$920,023 at March 31, 2024 and 2023, respectively. These balances are included within other assets. During 2024 and 2023, the Organization recognized investment gain from these entities of \$7,170 and 26,819 respectively, which is included in nonoperating gains (losses).

### 9. LONG-TERM DEBT

Long-term debt activity for the year ending March 31, 2024 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
<b>Direct placements:</b>					
Series 2016 bond payable, bearing interest at 3.01% and 3.06%	\$ 5,219,371	\$ -	\$ (353,269)	\$ 4,866,102	\$ 366,058
Series 2017 bond payable, bearing interest at 3.05%	6,915,087	-	(356,217)	6,558,870	364,897
<b>Direct borrowings:</b>					
Note payable, bearing interest at 5%, due in quarterly principal installments of \$37,175 plus interest through November 2038	-	4,700,000	(74,792)	4,625,208	219,765
<b>Total direct placements and direct borrowings</b>	<b>\$ 12,134,458</b>	<b>\$ 4,700,000</b>	<b>\$ (784,278)</b>	<b>\$ 16,050,180</b>	<b>\$ 950,720</b>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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Long-term debt activity for the year ending March 31, 2023 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Direct placements:					
Series 2016 bond payable, bearing interest at 3.01% and 3.06%	\$ 5,548,517	\$ -	\$ (329,146)	\$ 5,219,371	\$ 351,829
Series 2017 bond payable, bearing interest at 3.05%	7,275,186	-	(360,099)	6,915,087	357,657
Total direct placements and direct borrowings	<u>\$ 12,823,703</u>	<u>\$ -</u>	<u>\$ (689,245)</u>	<u>\$ 12,134,458</u>	<u>\$ 709,486</u>

The bonds and notes payable are summarized as follows:

**2016 Hospital Facilities Revenue Bonds** - dated September 1, 2016, were issued in the amount of \$7,072,098 to refund the 2008A series bonds and finance a portion of the West Wing construction project. The bonds have monthly principal and interest payments that vary based on the variable interest rate. The bonds mature on September 7, 2038 and includes a lump-sum payment of \$1,684,494 at maturity. The bonds were issued under a Bond Purchase Agreement with First Financial Bank. The initial holding period is through September 7, 2031. Interest rate swap agreements were used to fix the variable interest rate of the 2016 bonds. The swap agreements effectively fixed the interest rate at 3.01% and 3.06% at March 31, 2024.

**2017 Hospital Facilities Revenue Bonds** - dated January 1, 2017, were issued in the amount of \$8,800,000 to provide for additional financing for the West Wing construction project. The bonds have monthly principal and interest payments that vary based on the variable interest rate. The bonds mature on January 1, 2039 and includes a lump-sum payment of \$3,355,392 at maturity. The bonds were issued under a Bond Purchase Agreement with First Financial Bank. The initial holding period is through January 7, 2032. An interest rate swap agreement is used to fix the variable interest rate of the 2017 bonds. The fixed rate was 3.05% at March 31, 2024.

The 2016 and 2017 bonds are secured by future gross receipts of the Organization.

The 2017 and 2016 series bonds are subject to operational and financial covenants. The Organization is required to maintain a fixed charge coverage ratio of not less than 1.35 and a ratio of total liabilities to net position ratio of not greater than 1.5 to 1.0. In fiscal year 2024, the Organization believes it met all financial covenants.

**Note Payable** - The Organization entered into a \$4,700,000 loan during fiscal year 2023, which went into effect within fiscal year 2024, with proceeds from which were used to cover the construction of the Mercer Health – Marion Campus. The Marion campus opened in December of 2023 and offers 13 primary care exam rooms, 3 procedure rooms, and a laboratory. The note has quarterly principal and interest payments at an interest of 5.00%. The note matures on November 9, 2038. This loan is secured by cash accounts and certificates of deposit held with local banks totaling \$12,686,377 as of March 31, 2024.

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

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The following is a schedule of principal and interest payments based on interest rates effective at March 31, 2024:

Years Ended March 31	Notes from Direct Placements		Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2025	\$ 730,955	\$ 655,531	\$ 219,765	\$ 226,332
2026	752,821	611,742	231,009	215,089
2027	775,388	566,643	242,828	203,270
2028	798,498	420,194	254,744	191,353
2029	822,717	472,351	268,284	177,813
2030-2034	2,235,257	1,747,470	1,561,520	668,967
2035-2039	5,309,336	1,687,838	1,847,058	227,320
Total	<u>\$ 11,424,972</u>	<u>\$ 6,161,769</u>	<u>\$ 4,625,208</u>	<u>\$ 1,910,144</u>

## 10. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

### Contracts

The Organization has three interest rate swap agreements in effect at March 31, 2024 relating to the 2016 Hospital Facilities Revenue Refunding Bonds and 2017 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 2016 and 2017 Hospital Facilities Revenue Refunding Bonds. These interest rate swaps are reflected at fair value in the Statements of Net Position as an asset of \$746,776 and \$634,369 at March 31, 2024 and 2023, respectively. The intention of the swap agreements was to effectively change the Organization's variable interest rate on the bonds to the fixed rates stated in the table below.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

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### Terms, Fair Values and Credit Risk

The terms, fair values, and credit ratings of the outstanding swap as of March 31, 2024 are shown below. The notional amount of the swap is equal to or less than the principal amount of the associated debt and declines with the principal amortization on the bonds.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate	Variable Rate	Fair Value	Termination Date	Counterparty Credit Rating
2016 Hospital Facilities Revenue Refunding Bonds	\$ 2,423,949	October 12, 2016	3.01%	5.91%	\$ 183,418	October 12, 2031	BBB+/A-/A-
2016 Hospital Facilities Revenue Refunding Bonds	\$ 2,305,277	October 12, 2016	3.06%	5.91%	\$ 204,478	October 12, 2031	BBB+/A-/A-
2017 Hospital Facilities Revenue Refunding Bonds	\$ 4,426,369	January 13, 2017	3.05%	5.91%	\$ 358,880	January 13, 2032	BBB+/A-/A-

The variable rate on the swap is based on the secured overnight rate (SOFR) and the rate reset period is monthly for each swap agreement.

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

### Basis Risk

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

### Termination Risk

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

### Swap Payments and Associated Debt

Using rates as of March 31, 2024, debt service requirements of the variable rate debt and net swap payments of the 2016 and 2017 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 9. As rates vary, variable-rate bond interest payments and net swap payments will vary.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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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 statement of net position while the swap remains an effective hedge. Following is an analysis of the recording of the interest rate swap agreement:

	Assets	
	2024	2023
Interest rate swap agreements	\$ 746,776	\$ 634,369
<hr/>		
	Deferred inflows	
	2024	2023
Deferred inflows	\$ 746,776	\$ 634,369
<hr/>		

## 11. ACCRUED EXPENSES

The details of accrued liabilities at March 31, 2024 and 2023 is as follows:

	2024	2023
Payroll and related amounts	\$ 883,901	\$ 749,279
Health insurance	969,680	775,000
Pension	533,835	508,839
Other	142,497	138,529
Total accrued liabilities	\$ 2,529,913	\$ 2,171,647

## 12. REFUNDABLE ADVANCES

During 2024, the Organization received a grant of \$1,214,028 from the Statewide Hospital Support Program which was funded under the American Rescue Program Act. The Organization is required to use these funds for direct care staff compensation and meet certain reporting requirements. As of March 31, 2024, management does not believe they have satisfied the requirements to retain these funds and has recorded a refundable advance of \$1,214,028 on the statement of net position.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### 13. NET PATIENT SERVICE REVENUES

Net patient service revenue consists of the following:

	2024	2023
Revenue:		
Inpatient	\$ 37,149,691	\$ 41,431,639
Outpatient	<u>164,614,098</u>	<u>145,841,325</u>
Total patient revenue	<u>201,763,789</u>	<u>187,272,964</u>
Revenue deductions:		
Contractual allowances	94,644,492	88,840,986
Provision for bad debts	4,190,099	4,223,389
Charity care	<u>552,748</u>	<u>83,168</u>
Total deductions	<u>99,387,339</u>	<u>93,147,543</u>
Total net patient service revenue	<u><u>\$ 102,376,450</u></u>	<u><u>\$ 94,125,421</u></u>

### 14. RETIREMENT PLANS

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

- 1) The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan.
- 2) The Combined Plan – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan, a defined contribution pension plan discussed in greater detail under "Defined Contribution Plan" in this footnote.

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

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

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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

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

The collective net pension asset and liability of the retirement systems (GASB 68) and the Organization's proportionate share of the net pension asset and liability as of March 31 are as follows:

Traditional Pension Plan	2024	2023
Net pension liability - all employers	\$ 26,180,409,664	\$ 29,540,043,780
Proportion of the net pension liability - Organization	0.14293%	0.15761%
	<u>\$ 37,419,660</u>	<u>\$ 46,557,117</u>
Combined Plan	2024	2023
Net pension asset - all employers	\$ 307,381,524	\$ 235,689,691
Proportion of the net pension asset - Organization	0.115743%	0.121989%
	<u>\$ 355,773</u>	<u>\$ 287,515</u>

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

Expenses from pension costs recognized for the years ended March 31, 2024 and 2023 were \$3,323,757 and \$9,255,432, respectively.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

At March 31, 2024, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024						Total Defined Benefit Plans			
	Traditional Plan		Combined Plan							
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 611,593	\$ -	\$ 14,417	\$ 35,188	\$ 626,010	\$ 35,188				
Net difference between projected and actual earnings on pension plan assets	7,552,883	-	57,864	-	7,610,747	-				
Assumption changes	-	-	13,203	-	13,203	-				
Change in proportionate share	472,841	1,715,221	75,560	7,547	548,401	1,722,768				
Difference between Organization contributions and proportionate share of contributions	-	4,886	1,027	1,232	1,027	6,118				
Organization contributions subsequent to the measurement date	829,104	-	13,761	-	842,865	-				
Total	\$ 9,466,421	\$ 1,720,107	\$ 175,832	\$ 43,967	\$ 9,642,253	\$ 1,764,074				

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

	2023						Total Defined Benefit Plans			
	Traditional Plan		Combined Plan							
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 1,546,434	\$ -	\$ 17,676	\$ 41,082	\$ 1,564,110	\$ 41,082				
Net difference between projected and actual earnings on pension plan assets	13,270,258	-	104,783	-	13,375,041	-				
Assumption changes	491,844	-	19,035	-	510,879	-				
Change in proportionate share	793,031	91,809	-	-	793,031	91,809				
Organization contributions subsequent to the measurement date	731,330	-	15,249	-	746,579	-				
Total	\$ 16,832,897	\$ 91,809	\$ 156,743	\$ 41,082	\$ 16,989,640	\$ 132,891				

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

	Total Defined		
	Traditional Plan	Combined Plan	Benefit Plans
2025	\$ (1,161,634)	\$ (20,545)	\$ (1,182,179)
2026	(2,011,252)	(28,555)	(2,039,807)
2027	(4,819,825)	(44,689)	(4,864,514)
2028	1,075,501	(2,221)	1,073,280
2029	-	(10,898)	(10,898)
Thereafter	-	(11,196)	(11,196)
Total	<u>\$ (6,917,210)</u>	<u>\$ (118,104)</u>	<u>\$ (7,035,314)</u>

### Statutory Authority

Ohio Revised Code (ORC) Chapter 145

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Benefit Formula

Pensions: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit vests at retirement.

### Contribution Rates

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

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10.0% and 14.0%, respectively. The Public Safety and Law Enforcement employer rates are also set at the maximum authorized rate of 18.1%. The member rate for Public Safety is determined by the Board and has no maximum rate established by the ORC.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to healthcare for members in the Traditional Pension Plan was 0.0% during 2024 and 2023. For the Combined Plan, the portion of employer contributions allocated to healthcare was 0% from April 1, 2022 to June 30, 2022, and 2% from July 1, 2022 to March 31, 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the healthcare provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2024 and 2023 was 4.0%.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Cost-of-Living Adjustments

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, the member is eligible for an annual cost-of-living adjustment. This cost-of-living adjustment is calculated on the member's original base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3%. For those retiring on or after January 7, 2013, beginning in 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan.

### Measurement Date

December 31, 2023

### Actuarial Assumptions

Valuation Date: December 31, 2023

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.90%

Inflation: 2.75%

Projected Salary Increases: 2.75% - 10.75% for Traditional Plan, 2.75% - 8.25% for Combined Plan

Cost-of-Living Adjustments: 3.00% Simple – for those retiring before January 7, 2013, 2.30% Simple for those retiring after January 7, 2013, through 2024, then 2.05% Simple

### Date of Last Experience Study

December 31, 2020

### Mortality Rates

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

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Investment Return Assumptions

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

The following table displays the Board-approved asset allocation policy and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	24%	2.9%
Domestic equity	21%	4.3%
Real estate	13%	4.5%
Private equity	15%	7.5%
International equity	20%	5.2%
Risk parity	2%	4.4%
Other investments	5%	3.5%
Total	100%	

\* Returns presented as arithmetic means

### Discount Rate

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension assets and liabilities.

### Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease	Current Rate	1% Increase
(5.90%)	(6.90%)	(7.90%)
\$ 58,908,600	\$ 37,419,660	\$ 19,547,107

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease	Current Rate	1% Increase
(5.90%)	(6.90%)	(7.90%)
\$ 215,282	\$ 355,773	\$ 466,444

The amount of contributions recognized by the Organization relating to the traditional pension plan for the years ending March 31, 2024 and 2023 was approximately \$3,346,000 and \$3,285,000, respectively.

The amount of contributions recognized by the Organization relating to the combined plan for the years ending March 31, 2024 and 2023 was approximately \$56,000 and \$55,000, respectively.

### Defined Contribution Plans

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

Pension expense recorded for the years ended March 31, 2024 and 2023, for contributions to the Member-Directed Plan was approximately \$106,000 and \$104,000, respectively.

### Deferred Compensation Plan

All full-time employees of the Organization may participate in a deferred compensation plan created by the state of Ohio under the provisions of the Internal Revenue Code (IRC) Section 457, *Deferred Compensation Plans with Respect to Service for State and Local Governments*. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Compensated assets deferred under a plan, all property, rights and all income attributable to those amounts, property or rights are held in trust at the state level for the benefit of the participants.

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### 15. OTHER POST-EMPLOYMENT BENEFITS

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

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

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

In accordance with GASB Statement No. 75, employers participating in cost-sharing multiple employer plans are required to recognize a proportionate share of the collective OPEB assets and liabilities of the plan. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to OPEB expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 2 to 4 years).

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

	2024	2023
Net OPEB asset (liability) - all employees	\$ 902,523,892	\$ (630,519,431)
Proportion of the net OPEB asset (liability) - Organization	0.141762%	0.156556%
	\$ 1,279,436	\$ (987,116)

In 2024 and 2023, the Hospital recognized a gain relating to the OPEB plan of \$411,781 and \$1,241,160, respectively.

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

At March 31, 2024, the Organization reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 182,101
Net difference between projected and actual		
earnings on OPEB plan assets	768,374	-
Assumption changes	329,391	549,991
Change in proportionate share	96,072	-
Difference between Organization contributions and		
proportionate share of contributions	-	4,077
Organization contributions subsequent to the		
measurement date	12,809	-
Total	<u>\$ 1,206,646</u>	<u>\$ 736,169</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 246,225
Net difference between projected and actual		
earnings on OPEB plan assets	1,960,446	-
Assumption changes	964,138	79,333
Change in proportionate share	-	277,285
Organization contributions subsequent to the		
measurement date	3,147	-
Total	<u>\$ 2,927,731</u>	<u>\$ 602,843</u>

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

2025	(\$27,641)
2026	(91,369)
2027	(598,111)
2028	<u>259,453</u>
Total	<u><u>(\$457,668)</u></u>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Statutory Authority

Ohio Revised Code (ORC) Chapter 145

### Benefit Formula

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Effective January 1, 2022, retirees must generally be at least age 65 with a minimum of 20 years of qualifying service credit, or a minimum of 30 years of qualifying service credit at any age, to qualify for health care benefits. Beginning 2016 for Medicare retirees enrolled in Medicare A and B, and beginning 2022 for non-Medicare retirees, eligible retirees were able to participate in the OPERS Connector (Connector) in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assists eligible retirees in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

### Contribution Rates

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

Employer contribution rates are expressed as a percentage of earnable salary of active members. In 2024 and 2023, State and Local employers contributed a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to healthcare for members in the Traditional Pension Plan was 0.0% during 2024 and 2023. For the Combined Plan, the portion of employer contributions allocated to healthcare was 0% from April 1, 2022 to June 30, 2022, and 2% from July 1, 2022 to March 31, 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the healthcare provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2024 and 2023 was 4.0%.

### Measurement Date

December 31, 2023, rolled forward from December 31, 2022 actuarial valuation date.

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Actuarial Assumptions

Valuation Date: December 31, 2022

Rolled Forward Measurement Date: December 31, 2023

Actuarial Cost Method: Individual entry age

Investment Rate of Return: 6.00%

Inflation: 2.75%

Projected Salary Increases: 2.75% - 10.75%

Health Care Cost Trend: 5.5% initial, 3.5% ultimate in 2038

### Date of Last Experience Study

December 31, 2020

### Mortality Rates

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

### Investment Return Assumptions

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

## MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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The following table displays the Board-approved asset allocation policy and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	37%	2.8%
Domestic equity	25%	4.3%
Real estate	5%	4.7%
International equity	25%	5.2%
Risk parity	3%	4.4%
Other investments	5%	2.4%
Total	100%	

\* Returns presented as arithmetic means

#### Discount Rate

A discount rate of 5.22% was used to measure the total OPEB asset/liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22%. 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). The single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 3.77%. The projected cash flows used to determine the single discount rate assumed that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through 2070. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

#### Health Care Cost Trend Rate

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

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# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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### Sensitivity of Net OPEB Asset to Changes in Discount Rate

1% Decrease	Current Rate	1% Increase
(4.70%)	(5.70%)	(6.70%)
\$ (703,140)	\$ 1,279,436	\$ 2,921,715

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

1% Decrease	Current Rate	1% Increase
(4.50%)	(5.50%)	(6.50%)
\$ 1,332,563	\$ 1,279,436	\$ 1,219,153

The amount of contributions recognized by the Organization relating to the OPEB for the years ending March 31, 2024 and 2023 was approximately \$52,000 and \$37,000, respectively.

## 16. SELF-INSURED BENEFITS

The Organization provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that generally covers specific claims over \$175,000. An estimate of incurred but unpaid claims has been determined as of March 31, 2024 and 2023 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances as of and for the years ended March 31, 2024 and 2023 are as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2023	\$ 776,401	\$ 9,113,177	\$ 9,114,578	\$ 775,000
2024	\$ 775,000	\$ 12,246,440	\$ 12,051,760	\$ 969,680

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

### 17. BLENDED COMPONENT UNIT

The financial statements include MEDF, a separate entity organized to support the operations of the Hospital as a blended component unit. The following is a summary of the financial position and activities of MEDF as of and for the year ended March 31, 2024 and 2023:

	2024	2023 (as restated)
<b>Assets:</b>		
Total current assets	\$ 1,132,949	\$ 3,438,564
Capital assets, net	491,805	391,488
Other assets	275,316	524,672
<b>Total assets</b>	<b>\$ 1,900,070</b>	<b>\$ 4,354,724</b>
<b>Liabilities:</b>		
Total current liabilities	\$ 762,871	\$ 2,777,711
<b>Total liabilities</b>	<b>\$ 762,871</b>	<b>\$ 2,777,711</b>
<b>Net position:</b>		
Total net position	\$ 1,137,199	\$ 1,577,013
<b>Total liabilities and net position</b>	<b>\$ 1,900,070</b>	<b>\$ 4,354,724</b>
	2024	2023 (as restated)
<b>Operating revenues</b>		
Total operating revenues	\$ 13,096,422	\$ 11,852,561
<b>Operating expenses</b>		
Total operating expenses	23,311,940	20,171,438
<b>Loss from operations</b>	(10,215,518)	(8,318,877)
<b>Nonoperating gains</b>		
Total nonoperating gains	(1,225)	-
<b>Transfer from the Hospital</b>	9,776,929	8,200,000
<b>Change in net position</b>	(439,814)	(118,877)
<b>Net position - beginning of year</b>	1,577,013	1,695,890
<b>Net position - end of year</b>	<b>\$ 1,137,199</b>	<b>\$ 1,577,013</b>

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

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	2024	2023 (as restated)
<b>Cash provided by (used in):</b>		
Operating activities	\$ (1,576,181)	\$ 188,092
Capital and related financing activities	(202,352)	(178,600)
Total	<u>(1,778,533)</u>	<u>9,492</u>
<b>Cash - beginning of year</b>	1,916,946	1,907,454
<b>Cash - end of year</b>	<u>\$ 138,413</u>	<u>\$ 1,916,946</u>

## 18. RISK MANAGEMENT

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

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

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

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

# **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

## **NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2024 AND 2023**

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### **19. RISKS AND CONTINGENCIES**

#### Compliance Risks

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

## Required Supplementary Information

## MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

MARCH 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 AND 2015

Schedule of Proportionate Share of the Net Pension Asset/Liability (rounded to the nearest 1,000)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Organization proportion of the collective net pension liability	0.142930%	0.157607%	0.143739%	0.141503%	0.132814%	0.135179%	0.136804%	0.133979%	0.130522%	0.129625%
Organization proportionate share of the net pension liability	\$ 37,420,000	\$ 46,557,000	\$ 12,506,000	\$ 20,954,000	\$ 26,525,000	\$ 37,023,000	\$ 21,462,000	\$ 30,424,000	\$ 22,608,000	\$ 15,634,000
Organization proportion of the collective net pension asset	0.115743%	0.121989%	0.132470%	0.146149%	0.150372%	0.167245%	0.145810%	0.177972%	0.181150%	0.001327%
Organization proportionate share of the net pension asset	\$ 356,000	\$ 288,000	\$ 531,000	\$ 422,000	\$ 319,000	\$ 191,000	\$ 204,000	\$ 100,000	\$ 88,000	\$ 51,000
Organization covered payroll	\$ 24,669,000	\$ 24,956,000	\$ 21,465,000	\$ 21,321,000	\$ 20,019,000	\$ 19,459,000	\$ 19,256,000	\$ 18,903,000	\$ 17,508,000	\$ 16,631,000
Organization proportionate share of the net pension liability as a percentage of its covered payroll	151.7%	186.6%	58.3%	98.3%	132.5%	190.3%	111.5%	160.9%	129.1%	94.0%
Plan fiduciary net position as a percentage of the net pension liability	79.4%	75.7%	86.4%	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%
<b>Schedule of Organization Contributions</b>										
Contractually required contribution	\$ 3,402,000	\$ 3,340,000	\$ 3,005,000	\$ 2,985,000	\$ 2,778,000	\$ 2,707,000	\$ 2,503,000	\$ 2,268,000	\$ 2,101,000	\$ 1,996,000
Contributions in relation to the contractually required contribution	\$ 3,402,000	\$ 3,340,000	\$ 3,005,000	\$ 2,985,000	\$ 2,778,000	\$ 2,707,000	\$ 2,503,000	\$ 2,268,000	\$ 2,101,000	\$ 1,996,000
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 24,669,000	\$ 24,956,000	\$ 21,465,000	\$ 21,321,000	\$ 20,019,000	\$ 19,459,000	\$ 19,256,000	\$ 18,903,000	\$ 17,508,000	\$ 16,631,000
Contributions as a percentage of covered payroll	13.8%	13.4%	14.0%	14.0%	13.9%	13.9%	13.0%	12.0%	12.0%	12.0%

*See Report of Independent Auditors and the notes to required supplemental information on pages 50.*

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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

MARCH 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 AND 2015

Schedule of Proportionate Share of the Net OPEB Asset/Liability (rounded to the nearest 1,000)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Organization proportion of the collective net OPEB liability	0.000000%	0.156556%	0.000000%	0.000000%	0.132139%	0.134925%	*	*	*	*
Organization proportion share of the net OPEB liability	\$ -	\$ 987,000	\$ -	\$ -	\$ 18,252,000	\$ 17,591,000	*	*	*	*
Organization proportion of the collective net OPEB asset	0.141762%	0.000000%	0.142692%	0.140077%	0.000000%	0.000000%	*	*	*	*
Organization proportion share of the net OPEB asset	\$ 1,279,000	\$ -	\$ 4,469,000	\$ 2,496,000	\$ -	\$ -	*	*	*	*
Organization covered payroll	\$ 24,669,000	\$ 24,956,000	\$ 21,465,000	\$ 21,321,000	\$ 20,019,000	\$ 19,459,000	\$ 19,256,000	\$ 18,903,000	\$ 17,508,000	\$ 16,631,000
Organization proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%	3.8%	0.0%	0.0%	90.9%	88.7%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	94.8%	0.0%	0.0%	47.8%	54.1%	*	*	*	*
Organization proportionate share of the net OPEB asset as a percentage of its covered payroll	5.2%	0.0%	20.8%	11.7%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB asset	107.8%	0.0%	128.2%	115.6%	47.8%	54.1%	*	*	*	*
<b>Schedule of Organization Contributions</b>										
Contractually required OPEB contribution	\$ 52,000	\$ 37,000	\$ 31,000	\$ 25,000	\$ 24,000	\$ 17,000	\$ 193,000	\$ 378,000	\$ 350,000	\$ 166,000
Contributions in relation to the contractually required contribution	\$ 52,000	\$ 37,000	\$ 31,000	\$ 25,000	\$ 24,000	\$ 17,000	\$ 193,000	\$ 378,000	\$ 350,000	\$ 166,000
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 24,669,000	\$ 24,956,000	\$ 21,465,000	\$ 21,321,000	\$ 20,019,000	\$ 19,459,000	\$ 19,256,000	\$ 18,903,000	\$ 17,508,000	\$ 16,631,000
Contributions as a percentage of covered payroll	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	1.0%	2.0%	2.0%	2.0%

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

\*: This information is not available as information for GASB 75 was only obtained in fiscal year 2019.

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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### 1. Defined Benefit Pension Plans

#### Benefit Changes

There were no changes of benefit terms in 2024 and 2023.

#### 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, 2023, used for the Organization's 2024 fiscal year. Amounts reported in the Organization's 2024 fiscal year for the OPERS plans reflect the following change of assumptions from the amounts reported for the 2023 fiscal year based on the experience study:

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

### 2. Defined Benefit Postemployment Benefits other than Pensions

#### Benefit Changes

There were no changes of benefit terms in 2024 and 2023.

#### Changes of Assumptions

Amounts reported in for OPERS reflect the following changes in assumptions:

- Actuarially assumed discount rate increased from 5.22% in 2023 to 5.7% in 2024.
- Health care cost trend rate changed from 5.5% initial, 3.5% ultimate in 2036 for 2023 to 5.5% initial, 3.5% ultimate in 2038 for 2024.



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

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

To the Board of Governors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component unit of Mercer County Joint Township Community Hospital (the Organization), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated September 9, 2024. We also noted the Organization adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The prior period financial statements were restated for the adoption of GASB 96 and for correction of errors.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**REPORT OF INDEPENDENT AUDITORS 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**  
**(Continued)**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown & Co., LLC*

Westerville, Ohio

September 9, 2024

# MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES YEAR ENDED MARCH 31, 2024

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### 2024-001 Material Weakness

*Condition:* The Organization restated prior period accounts receivable and adjusted the current year accounts receivable for the Mercer County Joint Township Community Hospital (the Hospital) and the blended component unit, the Medical and Educational Development Foundation Physicians Corporation (MEDF), due to improper valuation of accounts receivable, which led to an overstatement of net patient accounts receivable and net patient revenue.

*Criteria:* The Organization's financial reporting process failed to accurately account for patient accounts receivable.

*Cause:* The Organization's financial reporting process lacked the necessary controls to ensure that the valuation of the patient accounts receivable properly reflected the Organization's ability to collect the amounts due.

*Effect:* The Organization's financial statements were materially misstated due to the incorrect accounting of accounts receivable.

*Recommendation:* The Organization should restate the 2023 financial statements, adjust the current year accounts receivable, and to revise their processes to ensure patient accounts receivable is properly valued going forward.

*Management's response:* The prior year accounts receivable was valued based on the recommendations of the previous auditors. Management agrees with the recommendation, has restated the 2023 financial statements, accordingly, has revised the current year accounts receivable, and has revised their processes to ensure proper valuation going forward.

### 2024-002 Material Weakness

*Condition:* The Organization restated assets whose use is limited, operating revenue, expenses and nonoperating gains (losses) for the discretely presented component unit, the Foundation, due to improper accounting, which led to an overstatement of non-current assets and other income (losses).

*Criteria:* The Organization's financial reporting process failed to identify misstatements.

*Cause:* The Organization's financial reporting process lacked the necessary controls to ensure amounts reported properly reflected on the Foundation's statement of net position.

*Effect:* The Organization's financial statements were materially misstated due to the incorrect accounting of investments.

*Recommendation:* The Organization should restate the 2023 financial statements and to revise their processes to ensure patient accounts receivable is properly valued going forward.

*Management's response:* Management relied on the prior auditor to assist in the preparation of the prior period financial statements. Management acknowledges that the final financial statements are their responsibility, agrees with the recommendation, has restated the 2023 financial statements accordingly and has revised their processes to ensure proper valuation going forward.

# **MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED MARCH 31, 2024**

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### **2023-001 Significant Deficiency**

*Criteria or Specific Requirement:* Cash operating account should be reconciled on monthly basis and variances should be identified and resolved in a timely manner.

*Condition and Cause:* During the process of testing of cash, the prior auditor noted that the general checking account associated with the Mercer County Joint Township Community Hospital had an unreconciled amount of approximately \$1,000,000.

*Effect:* Cash was overstated by \$1,000,000 and investment in subsidiary was understated by \$1,000,000.

*Recommendation:* The prior auditor recommended that management resolve cash reconciliation variances in a timely manner and for policies and procedures over resolving outstanding differences during the reconciliation process be implemented.

*Status:* Management implemented procedures to ensure cash was reconciled on a timely manner and that variances were addressed timely.

# OHIO AUDITOR OF STATE KEITH FABER



MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

MERCER COUNTY

## AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/26/2024

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)