Mercer County Joint Township Community Hospital (Mercer County)

Consolidated Financial Statements
and Supplementary Information

March 31, 2023 and 2022

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@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 Auditors' Report* of Mercer County Joint Township Community Hospital, Mercer County, prepared by Baker Tilly US, LLP, for the audit period April 1, 2022 through March 31,2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 19, 2023

This page intentionally left blank.

This page intentionally left blank.

Independent Auditors' Report

To the Board of Governors of
Mercer County Joint Township Community Hospital (Mercer County)

Report on the Audit of the Consolidated Financial Statements

Opinions

We have audited the accompanying consolidated financial statements of the business-type activities and the discretely presented component unit of Mercer County Joint Township Community Hospital (Mercer County) (the Organization), as of and for the years ended March 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated balance sheets of the business-type activities and the discretely presented component unit of the Organization, as of March 31, 2023 and 2022, and the respective consolidated statements of operations and changes in net position, and consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

- Conclude whether, in our judgment, 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 required supplementary information, as listed in the table of contents be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Organization's basic consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, 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.

Baker Tilly US, LLP

Charleston, West Virginia
October 30, 2023

Management's Discussion and Analysis

The discussion and analysis of the Mercer County Joint Township Community Hospital (Mercer County) (the Organization) consolidated financial statements provides an overview of the Organization's financial activities for the years ended March 31, 2023, 2022, and 2021. The consolidated financial statements reflect consolidated information for the Mercer County Joint Township Community Hospital (Mercer County) (the Hospital) and the Medical Educational Development Foundation Physicians Corporation (MEDF) and does not include the Medical, Educational and Development Foundation (Foundation) activity. Management is responsible for the completeness and fairness of the consolidated financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

- Effective April 1, 2022, the Organization adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87). Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Adoption of the new standard did not result in amounts material for the years ended March 31, 2023 and 2022.

- Consolidated results ended the year with an operating loss of ($4,182,479) in 2023 compared to an operating income of $16,402,476 in 2022.

- The Consolidated Net Position decreased by ($4,047,466) in 2023 compared to a Combined Net Position increase in 2022 of $18,487,877.

- The Consolidated Operating Revenues increased by $1,336,412 or 1.4%, compared to 2022.

- The Consolidated Operating Expenses increased $21,921,367 or 27% compared to 2022.

- Nonoperating revenue decreased by ($1,237,395) or 36% compared to 2022.

The reasons for these outcomes are stated below:

Net Patient Service Revenue

- Consistent utilization of outpatient, inpatient, and emergency services, which resulted in consistent net patient service revenue

Operating Expenses

- Increase in labor expenses due to increase demand and decrease of available professionals in the healthcare industry

- Significant change in employee benefits expense is due to actuarial changes associated with other post-retirement benefits and pension liability

Combined Results

- Revenue from Provider Relief Funds included in federal and state awards was $575,618 in 2023 compared to $2,885,073 in 2022.

Overview of the Financial Statements

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

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

Consolidated Balance Sheets and Statements of Operations and Changes in Net Position

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

These two statements report the Organization's net position and related changes. 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.

Consolidated Statements of Cash Flows

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

Financial Analysis of the Organization at March 31, 2023, 2022 and 2021

Total assets decreased 3% to $87,251,747 and total liabilities increased 100% to $71,018,961. The Organization's total net position decreased 10% to $37,780,054, a significant increase from a year ago as shown in the following table:

	2023	2022	2021
Assets			
Current assets	$ 34,742,771	$ 38,504,594	$ 34,738,388
Noncurrent assets, excluding capital assets	8,201,638	12,016,959	9,293,241
Capital assets, net	44,307,338	39,028,644	39,118,931
Total assets	87,251,747	89,550,197	83,150,560
Deferred Outflows	19,917,371	3,977,379	4,151,779
Total assets and deferred outflows	$ 107,169,118	$ 93,527,576	$ 87,302,339
Liabilities			
Current liabilities	$ 10,846,327	$ 9,845,986	$ 11,825,864
Noncurrent liabilities	60,172,634	24,640,332	38,093,838
	71,018,961	34,486,318	49,919,702
Deferred Inflows	1,370,103	20,213,738	17,042,994
Net Position			
Net invested in capital assets	30,649,061	26,204,941	23,219,543
Restricted	25,000	25,000	25,000
Unrestricted	4,105,993	12,597,579	(2,904,900)
Total net position	34,780,054	38,827,520	20,339,643
Total liabilities and net position	$ 107,169,118	$ 93,527,576	$ 87,302,339

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

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

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

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

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

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

Current Assets

Total current assets decreased by $3,761,823 from the previous year. Accounts Receivable increased by $2,350,559, while cash decreased by $7,440,544, due to investment in capital assets in the current year.

Noncurrent Assets, Excluding Capital Assets

Noncurrent assets, consisting of limited use investments, other investments, interest rate swap asset, net OPEB asset, and net pension assets decreased by $3,815,321, or 32% due to the net other postemployment benefit asset being a liability in 2023.

Capital Assets, Net

Capital assets increased $5,278,694 or 14% in 2023 compared to 2022. The increase was due to net additions, including capital assets acquired through leases, net of retirements of $8,881,215 offset by depreciation expense of $3,602,521.

Current Liabilities

Current liabilities increased $1,000,341 or 10% over the prior year. The Organization had a decrease of $851,306 or 100% current Medicare accelerated and advanced payments, which was offset by an increase of accounts payable of $966,200 and current financing lease payments of $320,450.

Long-Term Liabilities

Long-term liabilities increased by $35,532,302 or 144%, primarily due an increase in the net pension liability and net other post-retirement liability. Additional details regarding the pension plan and OPEB can be found in the notes to the consolidated financial statements.

Net Position

Total net position decreased by $4,047,466 or 10% primarily due to operating (loss) of $4,182,479 and nonoperating income of $135,013 in current year.

Operating Results and Changes in the Organization's Net Position

Table 2 shows three years of revenues and expenses for 2023, 2022 and 2021.

Table 2: Operating Results and Changes in Net Position	2023	2022	2021
Operating Revenues			
Net patient service revenue	$ 94,875,421	$ 94,776,404	$ 81,735,093
Other revenue	4,687,766	3,450,371	3,257,113
Total operating revenues	99,563,187	98,226,775	84,992,206
Operating Expenses			
Salaries and wage	38,024,605	32,545,702	29,976,828
Employee benefits	18,658,107	4,709,871	(6,151,515)
Professional fees	16,368,832	14,556,623	11,715,024
Supplies	13,819,353	12,238,726	10,083,143
Other operating expenses	9,763,112	11,924,315	12,006,453
Depreciation and amortization	3,602,521	3,287,514	3,235,743
Purchase services	3,509,148	2,561,548	1,911,222
Total operating expenses	103,745,666	81,824,299	62,776,898
Operating income (loss)	(4,182,479)	16,402,476	22,215,308
Nonoperating Revenue (Expenses)			
Interest expense	(431,728)	(400,643)	(513,351)
Other gains	566,741	2,486,044	9,486,923
Total nonoperating revenue	135,013	2,085,401	8,973,572
Increase in net position	2,954,659	18,487,877	31,188,880
Net Position, Beginning	38,827,520	20,339,643	(10,849,237)
Net Position, Ending	$ 34,780,054	$ 38,827,520	$ 20,339,643

Operating Revenue

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

Net patient service revenue less provision for bad debts increased $99,017 or 0.1%, from 2022. Gross patient revenue is reduced by contractual allowances and discounts. Contractual allowances and discounts are the amounts that are not paid to the Organization under contractual arrangements with Medicare, Medicaid, and other payors.

Operating Expenses

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

- Salaries and wages increased by $0 or 0.17% due to increase in full time equivalent employees.
- Employee benefits increased by $13,948,236 or 296% due to adjustment associated with GASB 68 and 75.

Under GASB 68 and GASB 75, pension and OPEB expense represents additional amounts earned, adjusted by deferred inflow/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68 and GASB 75, the statements report pension and OPEB expense above the contractually required contributions. Additional expense recorded in employee benefits as a result of GASB 68 and 75 were approximately $4,521,481 compared to the contractually required contribution.

Nonoperating Revenue (Expenses)

Nonoperating revenues and expenses are all sources and uses that are primarily nonexchange in nature.

At the Organization, these typically consist primarily of other income (loss), grants and contributions, federal and state awards, and interest expense. Nonoperating revenue decreased by $1,950,388 or 94% in 2023 compared to 2022 due to a decrease in amounts received from provider relief fund grants in 2023.

Cash Flows

The consolidated statements of cash flows provide relevant information about the entity's cash receipts and cash payments. The consolidated statements of cash flows also help assess:

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

Net cash provided by operating activities decreased $7,140,720 from the prior year due to an increase of $2,764,236 and $6,326,770 in cash payments to suppliers for services and goods and employees for services, respectively. Offset by an increase of $2,212,975 in cash received from patients and third-party payors.,

Net cash used for capital and related financing activities increased by $1,804,814 from the prior year primarily due to an increase in capital asset acquisitions.

Net cash used in investing activities decreased by $92,761, and net cash from noncapital financing activities decreased by $1,919,303. Decrease in noncapital financing activities is due to a decrease in federal and state government grants.

Strategic Planning

The fiscal year end March 31, 2024 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 also takes into account many factors in determining what the Organization's "new normal" may look like as we learn to live with COVID-19.

The Organization is well positioned financially and, in the market, to continue to build upon being the Provider of Choice for our community. The capital budget for fiscal year ending March 31, 2024 will include projects that are designed to layout the next phase of strategic growth and prioritization. In step with the previous fiscal budget, the fiscal budget for year end March 31, 2024 is focused on six initiatives: 1) building team, integration, and shared responsibility; 2) healthy community; 3) planning for strategic growth; 4) investing in quality and strengthening our product; 5) patient experience and loyalty; and 6) staying committed to financial sustainability.

Healthcare Trends & Legislation Impact

Forecasting healthcare trends and future legislation is challenging, especially in today's climate where so much uncertainty still surrounds the long-term needs of health systems to manage COVID-19. However, the trend of constant changes in the healthcare industry is likely to continue.

The Biden administration has been in office for approximately two years. While there have been plenty of global issues to deal with, they have been proposing legislation that would impact healthcare providers. For instance, the "Build Back Better" legislation contains key provisions that would extend the Affordable Care Act and prescription drug pricing reforms. Further, the Biden administration has put particular focus on health equity.

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

It's anticipated that Virtual Care will continue to play a role in the way that healthcare is delivered. A true success story resulting from COVID-19, virtual care was able to provide access to people whom otherwise might not have had it. Although here to stay, it still remains to be seen how virtual care will be treated from the payers and insurance groups in the long-term.

A real challenge for health systems, both locally and nationally, has been a very tight labor market. Staff shortages and increasing wages will continue to be issues that health systems have to manage this year. This will cause systems to look at their care delivery models and make changes as appropriate.

Reimbursement pressure has continued to require a close collaboration between health systems and payers. The shift from fee-for-service reimbursement to value-based payment models will continue in fiscal year 2024.

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 Hospital will seek reapplying for a Medicare low volume adjustment. Revenue at risk programs factored into this budget are as follows:

Potential Income Decreases:		
Hospital - RAC Audits	$	200,000
Hospital - Medicare 2% Sequestration		200,000
Potential Income Increases:		
Physician Practice - Comprehensive Primary CARE (DPC)	$	800,000
Physician Practice - CPC		84,000
Physician Practice - Patient Centered Care		195,000

Future Financial Overview

The 2023-2024 operating budget for the Hospital (including the Physician Practice operations) provides a budgeted net profit. This budget reflects a conservative approach to organizational growth due to the uncertainties that COVID-19 continues to have on healthcare systems. This budget is a reasonable expectation as we look to continue to build on the performance of FYE 2023 despite challenging market and economic conditions. However, the goals of the budget are attainable given every employee's commitment to providing excellent care to our community while committing to a continued focus on monitoring the costs of the Organization.

Overall Goals of the Budget

a. Goal - Achieve an operating margin as indicated by the budgeted income statement contained within this budget package.

b. Improve key financial ratios.

c. Management continue to invest in long-term strategic projects.

d. Provide for market appropriate wage and benefit levels to ensure labor competitiveness.

e. Manage overtime and FTE levels within each department.

Contacting the Organization's Financial 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		Component Unit Medical, Educational and Development Foundation	
	2023	**2022**	**2023**	**2022**
Assets and Deferred Outflow of Resources				
Current Assets				
Cash and cash equivalents	$ 16,685,991	$ 24,126,535	$ 311,986	$ 236,669
Patient accounts receivable, net of uncollectible accounts of $3,438,982 in 2023 and $3,079,542 in 2022	14,560,024	12,209,465	-	-
Other receivables, current	1,593,931	357,889	-	-
Pledge receivable	-	-	12,000	33,100
Investments	-	-	81,272	81,272
Inventory	1,809,091	1,684,141	-	-
Prepaid expenses	93,734	126,564	-	-
Total current assets	34,742,771	38,504,594	405,258	351,041
Noncurrent Assets				
Assets whose use is limited	4,949,015	4,937,464	200,000	192,805
Other receivables, noncurrent	667,987	330,182	-	-
Net pension asset	287,515	530,725	-	-
Net other postemployment benefit asset	-	4,469,332	-	-
Interest rate swap assets	634,369	188,517	-	-
Other investments	1,662,752	1,560,739	-	-
Total noncurrent assets	8,201,638	12,016,959	200,000	192,805
Capital Assets, Net	44,307,338	39,028,644	-	-
Total assets	87,251,747	89,550,197	605,258	543,846
Deferred Outflows of Resources				
Pension	16,989,640	3,704,238	-	-
Other postemployment benefits	2,927,731	273,141	-	-
Total deferred outflows of resources	19,917,371	3,977,379	-	-
Total assets and deferred outflow of resources	$ 107,169,118	$ 93,527,576	$ 605,258	$ 543,846

See notes to consolidated financial statements

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational and Development Foundation	
	2023	2022	2023	2022
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Current portion of long-term debt	$ 709,486	$ 689,246	$ -	$ -
Current portion of lease liability	320,450	-	-	-
Accounts payable	4,048,405	3,082,205	-	-
Estimated third-party payor settlements	521,458	400,541	-	-
Accrued liabilities and other:				
Accrued wages, benefits and other	2,171,647	1,913,962	-	-
Accrued compensated absences	3,074,881	2,908,726	-	-
Current Medicare accelerated and advanced payments	-	851,306	-	-
Total current liabilities	10,846,327	9,845,986	-	-
Long-Term Liabilities				
Net other postemployment benefit liability	987,116	-	-	-
Net pension liability	46,557,177	12,505,875	-	-
Long-term debt, net of current portion	11,424,972	12,134,457	-	-
Lease liability, net of current portion	1,203,369	-	-	-
Total long-term liabilities	60,172,634	24,640,332	-	-
Total liabilities	71,018,961	34,486,318	-	-
Deferred Inflows of Resources				
Pension	132,891	15,379,360	-	-
Interest rate swap	634,369	188,517	-	-
Other postemployment benefits	602,843	4,645,861	-	-
Total deferred inflows of resources	1,370,103	20,213,738	-	-
Total liabilities and deferred inflows	72,389,064	54,700,056	-	-
Net Position				
Invested in capital assets, net of related debt	30,649,061	26,204,941	-	-
Restricted for:				
Nonexpendable endowments	25,000	25,000	-	-
Expendable:				
Donor restricted	-	-	56,855	56,855
Time restricted	-	-	12,000	33,100
Unrestricted	4,105,993	12,597,579	536,403	453,891
Total net position	34,780,054	38,827,520	605,258	543,846
Total liabilities, deferred inflows of resources and net position	$ 107,169,118	$ 93,527,576	$ 605,258	$ 543,846

See notes to consolidated financial statements

Mercer County Joint Township Community Hospital

Consolidated Statements of Operations and Changes in Net Position (Deficit)
Years Ended March 31, 2023 and 2022

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational and Development Foundation	
	2023	2022	2023	2022
Operating Revenue				
Net patient service revenue	$ 98,161,338	$ 98,010,331	$ -	$ -
Provision for bad debts	3,285,917	3,233,927	-	-
Net patient service revenue less provision for bad debts	94,875,421	94,776,404	-	-
Other revenue	4,687,766	3,450,371	245,920	178,070
Total operating revenue	99,563,187	98,226,775	245,920	178,070
Operating Expenses				
Salaries and wages	38,024,605	32,545,702	-	-
Employee benefits	18,658,107	4,709,871	-	-
Professional fees	16,368,832	14,556,623	-	-
Supplies	13,819,353	12,238,726	-	-
Other operating expenses	9,763,100	11,924,315	28,222	50,980
Depreciation and amortization	3,602,521	3,287,514	-	-
Purchased services	3,509,148	2,561,548	-	-
Donation expense	-	-	28,545	218,220
Total operating expenses	103,745,666	81,824,299	56,767	269,200
Operating income (loss)	(4,182,479)	16,402,476	189,153	(91,130)
Nonoperating Revenue (Expenses)				
Interest expense	(431,728)	(400,643)	-	-
Grants and contributions	315,711	156,911	-	-
Federal and state awards	575,618	2,885,073	-	-
Other income (losses)	(324,588)	(555,940)	(127,741)	90,181
Total nonoperating revenue	135,013	2,085,401	(127,741)	90,181
Increase (decrease) in net position	(4,047,466)	18,487,877	61,412	(949)
Net Position, Beginning	38,827,520	20,339,643	543,846	544,795
Net Position, Ending	$ 34,780,054	$ 38,827,520	$ 605,258	$ 543,846

See notes to consolidated financial statements

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational and Development Foundation	
	2023	2022	2023	2022
Cash Flow From Operating Activities				
Cash received from patients and third-party payors	$ 91,794,473	$ 89,581,498	$ -	$ -
Cash payments to suppliers for services and goods	(42,586,353)	(39,822,117)	-	-
Cash payments to employees for services	(51,737,391)	(45,410,621)	(56,767)	(269,200)
Other receipts from operations	3,113,919	3,376,608	267,020	300,795
Net cash provided by operating activities	584,648	7,725,368	210,253	31,595
Cash Flow From Capital and Related Financing Activities				
Acquisitions and construction of capital assets, net	(7,170,613)	(3,197,227)	-	-
Principal payments on long term debt and lease liability	(876,028)	(3,075,685)	-	-
Interest paid on capital related debt and leases	(431,728)	(400,643)	-	-
Net cash used for capital and related financing activities	(8,478,369)	(6,673,555)	-	-
Cash Flow From Noncapital Financing Activities				
Contributions	315,711	156,911	-	-
Other nonoperating	(324,588)	(555,940)	(142,131)	52,393
Federal and state awards	575,618	2,885,073	-	-
Net cash from noncapital financing activities	566,741	2,486,044	(142,131)	52,393
Cash Flow From Investing Activities				
(Gain) in joint ventures	(102,013)	(194,774)	-	-
Proceeds from sale of investments	-	-	7,195	18,894
Net cash (used in) provided by investing financing	(102,013)	(194,774)	7,195	18,894
Net increase (decrease) in cash and investments	(7,428,993)	3,343,083	75,317	102,882
Cash and Investments, Beginning	29,063,999	25,720,916	236,669	133,787
Cash and Investments, Ending	$ 21,635,006	$ 29,063,999	$ 311,986	$ 236,669
Reconciliation of Cash and Cash Equivalents				
Cash and cash equivalents	$ 16,685,991	$ 24,126,535	$ 311,986	$ 236,669
Assets whose use is limited	4,949,015	4,937,464	-	-
Total cash and cash equivalents	$ 21,635,006	$ 29,063,999	$ 311,986	$ 236,669

See notes to consolidated financial statements

	Mercer County Joint Township Community Hospital		Component Unit Medical, Educational and Development Foundation	
	2023	2022	2023	2022
Cash Flows From Operating Activities				
Operating gain (loss)	$ (4,182,479)	$ 16,402,476	$ 189,153	$ (91,130)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	3,602,521	3,287,514	-	-
Provision for bad debts	3,285,917	3,233,927	-	-
Net pension	5,762,641	(8,660,404)	-	-
Net Other postemployment benefits	(1,241,160)	1,008,479	-	-
(Increase) decrease in assets:				
Patient accounts receivable	(5,636,476)	(4,288,764)	-	-
Other receivables	(1,573,847)	(52,188)	21,100	122,725
Inventories	(124,950)	86,383	-	-
Prepaid expenses	32,830	339,686	-	-
Increase (decrease) in liabilities:				
Accounts payable	966,200	1,033,026	-	-
Accrued wages, benefits and other	257,685	(704,098)	-	-
Medicare accelerated and advanced payments	(851,306)	(4,259,032)	-	-
Third-party settlements	120,917	118,963	-	-
Accrued compensated absences	166,155	179,400	-	-
Net cash provided by (used in) operating activities	$ 584,648	$ 7,725,368	$ 210,253	$ 31,595
Supplemental Disclosure of Noncash Investing Capital and Noncapital Financing Activities				
Acquisitions of capital assets through leases liabilities	$ 1,710,602	$ -	$ -	$ -

See notes to consolidated financial statements

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

Reporting Entity

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

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

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

Basis of Presentation

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

Enterprise Fund Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Inventories

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

Assets Whose Use is Limited

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

Patient Accounts Receivable

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

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.

Other Receivables

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

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.

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 consolidated financial statements. Employees accumulate vacation days and sick leave benefits at varying rates depending on years of service. Payment of accrued vacation days and accrued sick leave is based on the employee's rate of pay at the time of termination. Upon termination the maximum payout shall not exceed 240 hours for vacation time and 260 hours for sick leave.

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.

Leases

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

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

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 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.

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, 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. 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.

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, an estimated $180,000 and $157,000 arose from providing services to charity patients during 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Organization's total operating expenses divided by gross patient service revenue. The Organization participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts recognized through this program totaled approximately $330,000 and $362,000 for 2023 and 2022, respectively, and are reported as net patient service revenue in the consolidated financial statements.

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.

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.

Gain (Loss) From Operations

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

Federal Income Tax

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

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

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 presentation. The reclassifications had no effect on the change in net position.

Subsequent Events

The Organization has evaluated subsequent events through October 30, 2023, the date on which the consolidated financial statements were available to be issued.

Recently Adopted Accounting Standards

Effective April 1, 2022, the Organization adopted GASB Statement No. 87, Leases (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Under GASB 87, the Organization was required to recognize a lease liability and an intangible right-to-use lease asset for certain of its leases that were reported as operating leases under the previous accounting standards. Adoption of the new standard did not affect the Organization's consolidated financial statements for years ended March 31, 2023 and 2022.

New or Recent Accounting Pronouncement

GASB No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases.* It defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The new standard is effective for financial statements for periods beginning after June 15, 2022. The Organization is currently evaluating the impact that adoption will have on its March 31, 2024 financial statements.

2. Patient Accounts Receivable and Net Patient Service Revenue

Patient Accounts Receivable

Patient accounts receivable and accrued expenses reported as current liabilities at March 31 consisted of the following:

	2023	2022
Patient accounts receivable	$ 30,860,108	$ 25,562,371
Less allowance for uncollectible accounts	3,438,982	3,079,542
Less allowance for contractual adjustments	12,861,102	10,273,364
Patient accounts receivable, net	$ 14,560,024	$ 12,209,465

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31 is as follows:

	2023	2022
Commercial insurance	34 %	30 %
Medicare	29	32
Medicaid	11	9
Self-pay	26	29
	100 %	100 %

Net Patient Service Revenue

For 2023 and 2022, approximately 60% and 58%, respectively, of the Organization's revenues from patient services are received from the Medicare and Medicaid programs. Contractual adjustments under third-party reimbursement programs represent the difference between the Organization's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare - Inpatient acute care, rehabilitation, skilled nursing and outpatient services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Organization submits an annual cost report, which is reviewed and audited by the Medicare fiscal intermediary. The Organization's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the predetermined fee schedule amounts.

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

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

	2023	2022
Gross patient service revenue	$ 187,189,796	$ 177,646,574
Less third-party allowances and other discounts	(89,028,458)	(79,636,243)
Less bad debts	(3,285,917)	(3,233,927)
Net patient service revenue	$ 94,875,421	$ 94,776,404

The Organization has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

3. Deposits and Investments

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

	2023		2022	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts	$ 19,324,041	$ 19,324,041	$ 26,410,116	$ 26,410,116
Certificates of deposit	2,310,965	2,310,965	2,653,883	2,653,883
Total	$ 21,635,006	$ 21,635,006	$ 29,063,999	$ 29,063,999

	2023		2022	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type:				
General funds:				
Cash	$ 16,685,991	$ 16,685,991	$ 24,126,535	$ 24,126,535
Assets whose use is limited	4,949,015	4,949,015	4,937,464	4,937,464
Total	$ 21,635,006	$ 21,635,006	$ 29,063,999	$ 29,063,999

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

	2023		2022	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market deposit accounts	$ 311,986	$ 311,986	$ 236,669	$ 236,669
Certificates of deposit	281,272	281,272	274,077	274,077
Total	$ 593,258	$ 593,258	$ 510,746	$ 510,746

	2023		2022	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type:				
General funds:				
Cash	$ 311,986	$ 311,986	$ 236,669	$ 236,699
Investments	81,272	81,272	81,272	81,272
Assets whose use is limited	200,000	200,000	192,805	192,805
Total	$ 593,258	$ 593,258	$ 510,746	$ 510,776

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.

At March 31, 2023 and 2022, the Organization had $22,172,259 and $23,003,615, 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 Organization's name by a custodial bank that is an agent of the Organization.

	March 31, 2023		
		Maturities	
	Carrying Amount	< Than One Year	> Than One Year
Certificates of deposit	$ 2,310,965	$ 2,310,965	$ -

	March 31, 2022		
		Maturities	
	Carrying Amount	< Than One Year	> Than One Year
Certificates of deposit	$ 2,653,883	$ 2,653,883	$ -

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.

	March 31, 2023		
		Maturities	
	Carrying Amount	< Than One Year	> Than One Year
Certificates of deposit	$ 255,183	$ 255,183	$ -

	March 31, 2022		
		Maturities	
	Carrying Amount	< Than One Year	> Than One Year
Certificates of deposit	$ 274,077	$ 274,077	$ -

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

4. Capital Assets

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

	2022	Additions	Transfers	Retirements	2023
Capital assets:					
Land	$ 198,316	$ -	$ -	$ -	$ 198,316
Land improvements	888,079	-	-	-	888,079
Buildings	54,553,906	1,947,467	-	(22,332)	56,479,041
Equipment	29,159,860	4,270,148	-	(390,429)	33,039,579
Right-to-use assets - equipment	-	1,710,603	-	-	1,710,603
Construction in process	673,014	964,564	-	-	1,637,578
Total capital assets	85,473,175	8,892,782	-	(412,761)	93,953,196
Less accumulated depreciation for:					
Land improvements	586,026	28,004	-	-	614,030
Buildings	24,975,339	1,332,014	-	(13,358)	26,293,995
Equipment	20,883,166	2,055,720	-	(387,836)	22,551,050
Right-to-use assets - equipment	-	186,783	-	-	186,783
Total accumulated depreciation	46,444,531	3,602,521	-	(401,194)	49,645,858
Capital assets, net	$ 39,028,644	$ 5,290,261	$ -	$ (11,567)	$ 44,307,338

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

	2021	Additions	Transfers	Retirements	2022
Capital assets:					
Land	$ 198,316	$ -	$ -	$ -	$ 198,316
Land improvements	145,473	-	742,606	-	888,079
Buildings	54,123,986	1,174,716	(742,606)	(2,190)	54,553,906
Equipment	27,222,758	987,249	1,174,880	(225,027)	29,159,860
Construction in process	807,032	1,040,862	(1,174,880)	-	673,014
Total capital assets	82,497,565	3,202,827	-	(227,217)	85,473,175
Less accumulated depreciation for:					
Land improvements	105,065	29,650	451,311	-	586,026
Buildings	24,258,992	1,273,589	(555,052)	(2,190)	24,975,339
Equipment	19,014,577	1,984,275	103,741	(219,427)	20,883,166
Total accumulated depreciation	43,378,634	3,287,514	-	(221,617)	46,444,531
Capital assets, net	$ 39,118,931	$ (84,687)	$ -	$ (5,600)	$ 39,028,644

5. Other Investments

The Organization along with two other members have an ownership interest and assist in the daily operations of the Cancer Network of West Central Ohio (Cancer Network). In regard to the Cancer Network, the Organization maintains a 33% ownership as of March 31, 2023 and 2022, which is accounted for on the equity method. The carrying amount of the Organization's equity interest in this entity is $742,729 and $660,809 at March 31, 2023 and 2022, respectively, and is included in other investments on the consolidated balance sheets. Losses from the Cancer Network included in nonoperating other income were $81,920 and $203,835 in 2023 and 2022, respectively.

The Organization has entered into a joint venture agreement with Joint Township District Memorial Hospital with respect to the ownership and expansion of a medical office building. A nonprofit real estate holding company and a nonprofit management company were formed as a result of the joint venture. The Organization has a 50% ownership in each of these entities. The Organization accounts for its interest in these joint ventures on the equity method. The carrying amount of the Organization's equity interest in these entities was $920,023 and $899,930 at March 31, 2023 and 2022, respectively. These balances are included within other investments. During 2023 and 2022, the Organization recognized investment gain (losses) from these entities of $20,093 and $(9,062), respectively, which is included in nonoperating revenue (expenses).

6. Long-Term Debt and Leases

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

	March 31, 2022	Additions	Reductions	March 31, 2023	Amounts Due Within 1 Year
Long-term debt:					
Series 2016 bond	$ 5,548,517	$ -	$ (329,146)	$ 5,219,371	$ 351,829
Series 2017, bond	7,275,186	-	(360,099)	6,915,087	357,657
Total long-term debt	$ 12,823,703	$ -	$ (689,245)	$ 12,134,458	$ 709,486

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

	March 31, 2021	Additions	Reductions	March 31, 2022	Amounts Due Within 1 Year
Long-term debt:					
Series 2016 bond	$ 5,884,731	$ -	$ (336,214)	$ 5,548,517	$ 345,752
Series 2017, bond	7,614,657	-	(339,471)	7,275,186	343,494
Note payable	2,400,000	-	(2,400,000)	-	-
Total long-term debt	$ 15,899,388	$ -	$ (3,075,685)	$ 12,823,703	$ 689,246

The bonds, notes payable, and loans are summarized as follows:

Series 2016 Hospital Facilities Revenue Bonds (2016 Bonds)

2016 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. These bonds are secured by a pledge of gross receipts of the Organization and have monthly principal and interest payments that vary based on the variable interest rate (1.56% at March 31, 2023). These bonds mature on September 7, 2038 and includes a lump-sum payment of $1,684,494 at maturity. An interest rate swap agreement is used to fix the variable interest rate of the 2016 Bonds; $2,510,154 of the bonds is fixed at 3.01% and $2,435,465 of the bonds is fixed at 3.06%.

2017 Hospital Facilities Revenue Bonds (2017 Bonds)

2017 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. These bonds are secured by a pledge of gross receipts of the Organization and have monthly principal and interest payments that vary based on the variable interest rate (1.56% at March 31, 2023). The bonds mature on January 1, 2039 and includes a lump-sum payment of $3,355,392 at maturity. An interest rate swap agreement is used to fix the variable interest rate of the 2017 Bonds at 3.05%.

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 2023, the Organization met all financial covenants.

The following is a schedule of principal and interest payments based on interest rates effective at March 31, 2023:

Years Ending March 31	Principal	Interest
2024	$ 709,486	$ 153,065
2025	733,502	141,592
2026	755,444	130,140
2027	755,444	60,807
2028	798,789	59,784
2029-2033	2,562,926	342,824
2034-2038	514,701	278,644
2039-2040	5,301,693	198,169
Total	$ 12,134,458	$ 1,365,025

Leases

The Organization leases equipment under long-term agreements at market rates with terms expiring at various dates though 2026. The lease agreement qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of their date of inception.

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

Years Ending March 31	Principal	Interest
2024	$ 320,450	$ 58,568
2025	334,338	44,680
2026	348,827	30,191
2027	363,945	15,074
2028	156,259	1,664
Total	$ 1,523,819	$ 150,117

7. Derivative Financial Instruments, Interest Rate Swaps

Contracts

The Organization has three interest rate swap agreements in effect at March 31, 2022 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 consolidated balance sheets as an asset of $634,369 and $188,517 at March 31, 2023 and 2022, respectively. The intention of the swap agreements was to effectively change the Organization's variable interest rate on the bonds to the fixed rates stated in the table below.

Terms, Fair Values and Credit Risk

The terms, fair values, and credit ratings of the outstanding swap as of March 31, 2023 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	Paying Fixed Rate	Receiving Variable Rate	Fair Value	Termination Date	Counterparty Credit Rating
2016 Hospital Facilities Revenue Refunding Bonds	$	10/12/2016	3.01 %	1.56 %	$ 161,341	10/12/2031	BBB+/A-/A-
2016 Hospital Facilities Revenue Refunding Bonds		10/12/2016	3.06	1.56	168,185	10/12/2031	BBB+/A-/A-
2017 Hospital Facilities Revenue Refunding Bonds		1/13/2017	3.05	1.56	304,843	1/13/2032	BBB+/A-/A-

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

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

Basis Risk

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

Termination Risk

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

Swap Payments and Associated Debt

Using rates as of March 31, 2023, debt service requirements of the variable rate debt and net swap payments of the 2016 and 2017 Hospital Facilities Revenue Refunding Bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in Note 9. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

	Deferred Inflows	
	2023	2022
Deferred inflows	$ 634,369	$ 188,517

	Assets	
	2023	2022
Interest rate swap assets	$ 634,369	$ 188,517

8. Pension Plans

Net Pension Asset/Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description

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

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

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

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of services credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and service requirements: Age 60 with 60 months of service credit or age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Organization's contractually required contributions were approximately $3,494,000 and $3,005,000 for 2023 and 2022, respectively.

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

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

	2023		
	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportionate share of the net pension asset	$ -	$ 287,515	$ 287,515
Proportionate share of the net pension liability	46,557,177	-	46,557,177
Proportion of the net pension asset/liability	0.157607%	0.121989%	
Pension income (expense)	(6,765,348)	(36,863)	(6,802,210)

	2022		
	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportionate share of the net pension asset	$ -	$ 530,725	$ 530,725
Proportionate share of the net pension liability	12,505,875	-	12,505,875
Proportion of the net pension asset/liability	0.143739%	0.134700%	
Pension income (expense)	2,090,724	19,150	2,109,874

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

	2023	2022
Deferred outflows of resources:		
Differences between expected and actual experience	$ 1,564,110	$ 640,824
Actuarial assumption changes	510,879	1,590,517
Change in proportionate share	793,031	563,013
Net differences between projected and actual earnings on pension plan assets	13,375,041	-
Employer contributions subsequent to the measurement date	746,579	909,884
Total	$ 16,989,640	$ 3,704,238
Deferred inflows of resources:		
Net differences between projected and actual earnings on pension plan assets	$ -	$ 14,989,062
Differences between expected and actual experience	41,082	333,645
Change in the Organization's proportion	91,809	56,653
Total	$ 132,891	$ 15,379,360

$746,579 and $909,884 was reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the years ending March 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years ending March 31:	
2024	$ 2,337,530
2025	3,340,660
2026	3,921,733
2027	6,533,095
2028	(10,506)
Thereafter	(12,342)
Total	$ 16,110,170

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 31, 2022	
Wage inflation	2.75%
Future salary increases, including inflation	2.75% to 10.75%, including wage inflation
COLA or Ad Hoc COLA	3.00%, simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

December 31, 2021	
Wage inflation	2.75%
Future salary increases, including inflation	2.75% to 10.75%, including wage inflation
COLA or Ad Hoc COLA	3.00%, simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

For the December 31, 2022 and 2021 actuarial valuation, mortality rates were based on the Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). 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. RP-2014 Healthy Annuitant mortality table. The most recent experience study was completed for the five-year period ended 2020.

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

	2022 OPERS	
Asset Class	**Allocation**	**Long-Term Expected Rate of Return**
Domestic equities	22 %	4.60 %
International equities	21	5.51
Fixed income	22	2.62
Real estate	13	3.27
Private equities	15	7.53
Risk Parity	2	4.37
Other investments	5	3.27
	100 %	

Discount Rate

The discount rate used to measure the total pension liability was 6.9% as of the valuation period ending December 31, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	2022		
	1% Decrease (5.9%)	**Current Discount Rate (6.9%)**	**1% Increase (7.9%)**
Organization's proportionate share of the net pension liability, Traditional	$ 69,741,098	$ 46,557,177	$ 27,272,315
Organization's proportionate share of the net pension (asset), Combined	(150,046)	(287,515)	(396,464)

	2021		
	1% Decrease (5.9%)	**Current Discount Rate (6.9%)**	**1% Increase (7.9%)**
Organization's proportionate share of the net pension liability, Traditional	$ 32,972,289	$ 12,505,875	$ (4,524,904)
Organization's proportionate share of the net pension liability, Combined	(396,018)	(530,725)	(635,784)

9. Defined Benefit OPEB Plans

Net Other Post-Retirement Employee Benefit Liability

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

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

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

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

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

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

Plan Description

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

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

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

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

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022 and 2021, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 and 2022 was 4.0% and 2% from July 1, 2022 to December 31, 2022 for the Combined Plan. The Combined Plan contributions were 0% from January 1, 2022 to June 30, 2022 and 2021.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Organization's contractually required contribution was approximately $37,000 and $31,000 for 2023 and 2022, respectively.

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

The net OPEB liability and total OPEB liability for OPERS at March 31, 2023 and 2022 was measured as of December 31, 2022 and 2021, respectively, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Organization's proportion of the net OPEB liability was based on the Organization's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB income:

	2023	2022
Proportionate share of net OPEB liability (asset)	$ 987,116	$ (4,469,332)
Proportion of the net OPEB asset/liability	0.156556%	0.142692%
OPEB income	$ 1,727,915	$ 3,790,470
Deferred outflows of resources:		
Change in proportionate share	$ -	$ 269,994
Deference between projected and actual investment:		
Earnings on OPEB investments	1,960,446	-
Actuarial assumption changes	964,138	-
Employer contributions subsequent to the measurement date	3,147	3,147
Total	$ 2,925,872	$ 269,994
Deferred inflows of resources:		
Differences between expected and actual experience	$ 246,225	$ 677,929
Changes of assumptions	79,333	1,809,135
Net difference between projected and actual earnings on OPEB plan investments	-	2,130,663
Change in proportionate share	277,285	28,134
Total	$ 602,843	$ 4,645,861

The Organization reported $1,288 as deferred outflows of resources related to OPEB resulting from Organization contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the years ending March 31, 2023 and 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending March 31:	
2024	$ 323,681
2025	716,958
2026	611,331
2027	947,057
2028	-
Thereafter	-
Total	$ 2,599,027

Actuarial Assumptions - OPEB

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

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

Actuarial Information	
Wage inflation	2.75%
Future salary increase, including inflation	2.75% to 10.75%, including wage inflation
Single discount rate:	
Current measurement rate	5.22%
Prior measurement rate	6.00%
Investment rate of return	6.00%
Health care cost trend rate	5.50% initial, 3.50% ultimate in 2036
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). 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. The most recent experience study was completed for the five-year period ended December 31, 2020.

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	34 %	2.56 %
Domestic equities	26	4.60
Real estate	7	4.70
International equities	25	5.51
Risk Parity	2	4.37
Other investments	6	1.84
Total	100 %	

Discount Rate

A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

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

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
Organization's proportionate share of the net liability (asset):			
OPEB, 2023	$ 3,359,692	$ 987,116	$ (970,647)

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Organization's proportionate share of the net liability (asset):			
OPEB, 2022	$ (2,628,387)	$ (4,469,332)	$ (6,035,872)

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Organization's proportionate share of the net liability (asset):			
OPEB, 2023	$ 925,246	$ 987,116	$ 1,056,753

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Organization's proportionate share of the net liability (asset):			
OPEB, 2022	$ (4,517,629)	$ (4,469,332)	$ (4,412,037)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting both in 2023 and 2022 was 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 that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

10. Self-Insured Benefits

The Organization provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that generally covers specific claims over $150,000. Total health insurance expenses charged to operations, including an estimate of incurred but unreported claims, totaled $8,575,142 and $7,477,786 for the years ended March 31, 2023 and 2022, respectively. The Organization had liability for health insurance of approximately $775,000 for both years ended March 31, 2023 and 2022.

11. 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.

12. Risk and Contingencies

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

As a result of the COVID-19 pandemic, the Organization received significant funding from multiple funding sources. Paycheck Protection Program loans and Provider Relief Funding and American Rescue Plan Rural Distributions were received. These programs were subject to various rules and regulations and are subject to future audit.

13. Blended Component Unit

The consolidated financial statements include MEDF, a separate entity organized to support the operations of the Organization 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, 2023 and 2022:

	2023	2022
Assets:		
Total current assets	$ 4,188,564	$ 2,806,364
Capital assets, net	391,488	273,059
Other assets	524,672	260,116
Total assets	$ 5,104,724	$ 3,339,539
Liabilities:		
Total current liabilities	$ 2,777,711	$ 1,643,649
Total liabilities	2,777,711	1,643,649
Net position:		
Total net position	2,327,013	1,695,890
Total liabilities and net position	$ 5,104,724	$ 3,339,539
Operating revenues:		
Total operating revenues	$ 12,602,561	$ 9,789,542
Operating expenses:		
Total operating expenses	20,171,438	15,475,027
Loss from operations:	(7,568,877)	(5,685,485)
Nonoperating gains:		
Total nonoperating gains	-	2,016
Transfer from affiliates	8,200,000	6,185,000
Change in net position	631,123	501,531
Net position, beginning	1,695,890	1,194,359
Net position, ending	$ 2,327,013	$ 1,695,890

		2023		2022
Cash provided by (used in):				
Operating activities	$	188,092	$	214,926
Capital and related financing activities		(178,600)		(43,856)
Total		9,492		171,070
Cash, beginning		1,907,454		1,736,384
Cash, ending	$	1,916,946	$	1,907,454

14. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has had wide ranging effects on the Organization, including lost revenue, changing workforce dynamics, decreases in outpatient volumes, as well as increased funding sources. In response to the pandemic, the United States government passed the Coronavirus Aid, Relief, and Economic Security Act. The Coronavirus Aid, Relief, and Economic Security (CARES) Act established several programs, including the Provider Relief Fund (PRF) and Paycheck Protection Program, to aid businesses in their response to the economic effects of COVID-19. The material government funding received by the Organization, and the corresponding accounting for the funding, is outlined below.

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

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

Department of Health and Human Services (HHS) Provider Relief Fund

During the years ended March 31, 2023 and 2022, the Organization received $575,618 and $2,885,073, respectively, in funding through the HHS PRF program. According to guidance provided by HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenues or COVID-19 expenses, the funds must be returned to HHS. Based on the Organization's calculation of lost revenue and COVID-19 expenses, the Organization has recognized $575,618 and $2,885,073, as federal and state awards on the consolidated statements of operations and changes in net position during the years ended March 31, 2023 and 2022, respectively. As it relates to the amount recognized, the Organization believes that the conditions for receipt and conditions for expenditure have both occurred during the year ended March 31, 2023 and 2022. While the Organization has utilized all available current information in determining the proper utilization and accounting for these funds, additional regulatory guidance is expected that could have a material impact on how the Organization has recognized PRF Funds.

Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program

The passage of the CARES Act also authorized the Center for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible healthcare organization, the Organization was eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act which passed on September 30, 2020 allowed providers to extend repayment for a full year before recoupment begins. As of the date the consolidated financial statements were available to be issued, no recoupment has occurred. During the period before recoupment, Medicare claims submitted by the Organization will continue to be reimbursed at standard rates, after which the recoupment process will begin and payment for submitted claims will be reduced by 25% for 6 months, then 50% for the following 11 months, and any outstanding payments after this period will be due in full to CMS. The Organization recorded $0 and $851,306 the Medicare accelerated and advance payment program as a liability on the consolidated balance sheets for 2022 and 2021, respectively.

Mercer County Joint Township Community Hospital

Required Supplementary Information on GASB 68 Pension Assets, Liabilities and Contributions (Unaudited)
Years Ended March 31, 2023, 2022, 2021, 2019, 2018, 2017, 2016 and 2015

Schedule of Proportionate Share of the Net OPEB Asset/Liability (rounded to the nearest 1,000)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Organization proportion of the collective net pension liability	0.157607%	0.143739%	0.141503%	0.132814%	0.135179%	0.1368040%	0.1339790%	0.1305220%	0.1296250%
Organization proportion share of the net pension liability	$ 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	0.121989%	0.132470%	0.146149%	0.150372%	0.167245%	0.1458100%	0.1779720%	0.1811500%	0.1327000%
Organization proportion share of the net pension asset	$ 288,000	$ 531,000	$ 422,000	$ 319,000	$ 191,000	$ 204,000	$ 100,000	$ 88,000	$ 51,000
Organization covered payroll	$ 24,956,000	$ 21,465,000	$ 21,321,000	$ 20,019,000	$ 19,459,000	$ 19,256,000	$ 18,903,000	$ 17,508,000	$ 16,277,000
Organization proportionate share of the net pension liability as a percentage of its covered payroll	186.6%	60.0%	98.9%	130.8%	186.7%	111.3%	168.1%	130.4%	96.0%
Organization proportionate share of the net pension assets as a percentage of its covered payroll	75.7%	86.4%	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%
Schedule of Organization Contributions									
Contractually required contribution	$ 3,489,000	$ 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	3,489,000	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	$ 24,956,000	$ 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	14.0%	14.0%	14.0%	14.0%	14.0%	13.0%	12.0%	12.0%	12.0%

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

Mercer County Joint Township Community Hospital

Required Supplementary Information on GASB 75 Other Postemployment Benefit Assets, Liabilities and Contributions (Unaudited)
March 31, 2023, 2022, 2021, 2020, and 2019

Schedule of Proportionate Share of the Net OPEB Asset/Liability (rounded to the nearest 1,000)	**2023**	**2022**	**2021**	**2020**	**2019**
Organization proportion of the collective net OPEB liability	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	0.000000%	0.142692%	0.140077%	0.000000%	0.000000%
Organization proportion share of the net OPEB asset	$ -	$ 4,469,000	$ 2,496,000	$ -	$ -
Organization covered payroll	$ 26,057,000	$ 22,251,000	$ 21,184,000	$ 20,077,000	$ 19,832,000
Organization proportionate share of the net OPEB liability as a percentage of its covered payroll	3.8%	0.0%	0.0%	90.9%	88.7%
Plan fiduciary net position as a percentage of the total OPEB liability	94.8%	0.0%	0.0%	47.8%	54.1%
Organization proportionate share of the net OPEB assets as a percentage of its covered payroll	0.0%	20.1%	11.8%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB asset	0.0%	128.2%	115.6%	47.8%	54.1%
Schedule of Organization Contributions					
Contractually required OPEB contribution	$ 37,000	$ 31,000	$ 25,000	$ 24,000	$ 17,000
Contributions in relation to the contractually required contribution	37,000	31,000	25,000	24,000	17,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 25,742,000	$ 22,027,000	$ 21,495,000	$ 20,019,000	$ 19,459,000
Contributions as a percentage of covered payroll	0.1%	0.1%	0.1%	0.1%	0.1%

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.

1. Defined Benefit Pension Plans

Benefit Changes

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

Changes in Assumptions

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

- Actuarially assumed expected rate of investment return and discount rate decreased from 7.20% to 6.90%.

- Projected salary decreased from 3.25% - 10.75% Traditional Plan and 3.25% - 8.25% Combined Plan to 2.25% - 10.75% for the Traditional Pension Plan and Combined Plan.

- Wage inflation decreased from 3.25% to 2.75% for the Traditional Pension Plan and Combined Plan.

There were no significant changes in assumptions for fiscal year 2023.

2. Defined Benefit Postemployment Benefits Other Than Pensions

Benefit Changes

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

Changes in Assumptions

Amounts reported in 2022 for OPERS reflect the following changes in assumptions based on an experience study for the five-year period ending December 31, 2021:

- Wage inflation assumption decreased from 3.25% to 2.75%.

- Actuarially assumed discount rate remained consistent at 6.0%.

- Health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.50% initial, 3.5% ultimate in 2034.

Amounts reported in 2023 for OPERS reflect the following changes in assumptions based on an experience study for the five-year period ending December 31, 2022:

- Actuarially assumed discount rate decreased from 6.0% in 2022 to 5.22%.

- Health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.50% initial, 3.5% ultimate in 2036.

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

Independent Auditor's Report

To the Board of Governors of
Mercer County Joint Township Community Hospital (Mercer County)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Mercer County Joint Township Community Hospital (Mercer County) (the Organization), which comprise the Organization's consolidated balance sheet, as of March 31, 2023, and the related consolidated statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 determination of consolidated financial statement amounts. 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.*

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Baker Tilly US, LLP

Charleston, West Virginia
October 30, 2023

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Governors of
Mercer County Joint Township Community Hospital

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mercer County Joint Township Community Hospital's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended March 31, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
October 30, 2023

Federal Grantor/ Program Title	Assistance Listing Number	Pass- Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
U.S. Department of Health and Human Services Health Resources and Services Administration					
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Period 4	93.498	N/A	N/A	$ 2,106,516	$ -
Total U.S. Department of Health and Human Services Health Resources and Services Administration				2,106,516	-
Total expenditures of federal awards				$ 2,106,516	$ -

See notes to schedule of expenditures and federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mercer County Joint Township Community Hospital (the Organization) under programs of the federal government for the year ended March 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, with exception of expenditures associated with the U.S. Department of Health and Human Services (HHS) Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. PRF expenditures are reported based upon PRF reports required to be submitted to the Health Resources and Services Administration (HRSA) reporting portal.

3. Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Assistance Listing Number 93.498

For the U.S. Department of Health and Human Services Health Resources and Services Administration (HHS) award related to the PRF program, HHS has indicated the amounts on the Schedule be reported corresponding to reporting requirements of the Health Resources and Services Administration (HRSA) PRF Reporting Portal. Payments from HHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

The Schedule includes $2,106,516 of funding (including $5,554 of interest earned) from the HHS between July 1, 2021, through December 31, 2021. In accordance with guidance from the HHS, these amounts are presented on the Schedule as Period 4. The Organization did not receive funds from January 1, 2021 to June 30, 2021. Such amounts were recognized as a component of Federal and State Awards Revenue and Other Income (losses) in the Organization's consolidated financial statements in the amounts of $2,106,519 for the year ended March 31, 2022.

The Schedule includes the following entities that received the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution program:

Legal Entity Name	Tax Identification Number
Mercer County Joint Township Community Hospital	341101385
Medical and Educational Development Foundation Physicians Corporation	341957399

4. Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate.

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	__X__ no
Significant deficiency(ies) identified?	__X__ yes	_____ none reported
Noncompliance material to consolidated financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	__X__ no
Significant deficiency(ies) identified?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ no

Identification of major federal program:

Assistance Listing Number	Name of Federal Program
93.498	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

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

Section II - Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

Finding 2023-001: Significant Deficiency – Cash Reconciliations

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, we 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: We recommend that management resolve cash reconciliation variances in a timely manner. Policies and procedures over resolving outstanding differences during the reconciliation process should be implemented.

Views of Responsible Officials and Planned Corrective Actions: Management was aware of the variance. Management was able to resolve the variance during the fiscal year end audit.

Section III - Federal Award Findings and Questioned Costs

None noted

Section VI - Schedule of Prior Audit Findings

2022-002: Significant Deficiency in Internal Control Over Compliance - Reporting

Condition and Context: In the Organization's reporting submissions, the Organization incorrectly reported lost revenues under Option ii rather than their selected Option iii. The Organization's methodology for option iii was to use budget-to-actual patient revenues utilizing the fiscal year 2020, 2021, and 2022 budgets that cover calendar years 2021 and 2022 as the base period.

Recommendation: We recommend that management implement procedures to ensure that the most recent guidance is reviewed and understood, and that information used in preparation of the reports is reviewed, with errors addressed, prior to reporting.

Status: Management implemented procedures to ensure all information was detailed reviewed and errors were addressed before reporting.

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 1/2/2024

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