
**BROWN COUNTY
GENERAL HOSPITAL**

**Report on Audit of Financial Statements,
Internal Control and Compliance with Laws
and Regulations**

For the year ended December 31, 1999

**BROWN COUNTY
GENERAL HOSPITAL**

**Report on Audit of Financial Statements,
Internal Control and Compliance with Laws
and Regulations**

For the year ended December 31, 1999

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BROWN COUNTY GENERAL HOSPITAL

SECTION A

REPORT ON FINANCIAL STATEMENTS

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Trustees
Brown County General Hospital
Georgetown, Ohio 45121

We have reviewed the Independent Auditor's Report of the Brown County General Hospital, Brown County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

May 31, 2000

PricewaterhouseCoopers LLP
2080 Kettering Tower
Dayton OH 45423-2080
Telephone (937) 223 5185
Facsimile (937) 222 9227

Report of Independent Accountants

April 21, 2000

To the Board of Trustees
Brown County General Hospital

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses of general funds, changes in fund balances, and cash flows of general funds present fairly, in all material respects, the financial position of Brown County General Hospital, a component unit of Brown County, at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Hospital's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2000 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Brown County General Hospital
Balance Sheets
As of December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Assets		
<u>General Funds</u>		
Current assets:		
Cash and cash equivalents	\$ 1,643,080	\$ 858,297
Accounts receivable, less allowance for doubtful accounts and contractual adjustments of \$2,876,374 in 1999 and \$2,891,269 in 1998	3,987,223	5,044,930
Supplies inventory	284,630	369,464
Prepaid expenses and other assets	217,848	107,807
Due from Specific Purpose Funds	70,000	-
	<hr/>	<hr/>
Total current assets	6,202,781	6,380,498
Assets whose use is limited:		
By Board for plant renewal and replacement	741,995	655,373
By County for debt issuance	590,216	565,139
Property, plant and equipment, net	12,936,458	13,533,445
Other assets	144,469	80,422
	<hr/>	<hr/>
Total	<u>\$ 20,615,919</u>	<u>\$ 21,214,877</u>
<u>Restricted Funds</u>		
Specific Purpose Funds		
Pledges receivable	\$ 70,000	\$ -
Due from General Funds	3,132	2,932
	<hr/>	<hr/>
Total	<u>\$ 73,132</u>	<u>\$ 2,932</u>
Endowment Funds		
Cash	\$ 4,919	\$ 4,919
Certificates of deposit	5,000	5,000
	<hr/>	<hr/>
Total	<u>\$ 9,919</u>	<u>\$ 9,919</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital
Balance Sheets, Continued
As of December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Liabilities and Fund Balances		
<u>General Funds</u>		
Current liabilities:		
Current portion of long-term debt	\$ 579,336	\$ 566,140
Trade accounts payable	606,423	558,835
Estimated settlement amounts due to third-party payors	264,133	85,669
Accrued expenses:		
Salaries, wages and withholdings	556,006	488,482
Accrued compensated absences	528,969	500,566
Other	189,676	91,633
Due to Specific Purpose Funds	<u>3,132</u>	<u>2,932</u>
 Total current liabilities	 2,727,675	 2,294,257
 Accrued compensated absences, less current portion	 222,476	 226,408
 Long-term debt, net of current portion	 <u>2,874,435</u>	 <u>3,440,825</u>
 Total liabilities	 5,824,586	 5,961,490
 Fund balance	 <u>14,791,333</u>	 <u>15,253,387</u>
 Total	 <u>\$ 20,615,919</u>	 <u>\$ 21,214,877</u>
<u>Restricted Funds</u>		
Specific Purpose Funds		
Due to General Funds	<u>\$ 70,000</u>	<u>\$ -</u>
Total liabilities	70,000	-
Fund balance	<u>3,132</u>	<u>2,932</u>
Total	<u>\$ 73,132</u>	<u>\$ 2,932</u>
Endowment Funds		
Fund balance	<u>\$ 9,919</u>	<u>\$ 9,919</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital
Statements of Revenues and Expenses of General Funds
For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Net patient service revenue	\$ 21,884,248	\$ 20,300,721
Other operating revenue	243,147	417,646
 Total operating revenues	 <u>22,127,395</u>	 <u>20,718,367</u>
Operating expenses:		
Salaries and wages	8,686,043	8,296,037
Employee benefits	2,372,643	2,042,012
Supplies and other	5,336,307	5,371,458
Provision for bad debts	2,192,340	1,857,432
Depreciation and amortization	1,496,743	1,464,725
Professional fees	1,930,958	1,333,495
Utilities	452,009	424,358
Insurance	130,499	128,041
Interest	254,612	273,008
 Total operating expenses	 <u>22,852,154</u>	 <u>21,190,566</u>
 Loss from operations	 <u>(724,759)</u>	 <u>(472,199)</u>
Non-operating gains/(losses):		
Investment income	140,993	154,317
Other, net	9,946	(63,666)
 Total non-operating gains, net	 <u>150,939</u>	 <u>90,651</u>
 Deficiency of revenues and gains over expenses and losses	 <u>\$ (573,820)</u>	 <u>\$ (381,548)</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital
Statements of Changes in Fund Balances
For the years ended December 31, 1999 and 1998

	<u>Restricted Funds</u>		
	<u>General Fund</u>	<u>Specific Purpose Fund</u>	<u>Endow- ment Fund</u>
Fund balances, December 31, 1997	\$ 15,172,404	\$ 436,972	\$ 9,919
Deficiency of revenues and gains over expenses and losses	(381,548)	-	-
Release from restrictions	443,918	(443,918)	
Investment income	-	-	509
Interfund transfer	260	249	(509)
Donations for specific purpose	-	9,629	-
Donations for capital additions	16,480	-	-
Other	1,873	-	-
Fund balances, December 31, 1998	<u>15,253,387</u>	<u>2,932</u>	<u>9,919</u>
Deficiency of revenues and gains over expenses and losses	(573,820)	-	-
Release from restrictions	107,500	(107,500)	-
Investment income	-	-	200
Interfund transfer	-	200	(200)
Donations for specific purpose	-	107,500	-
Donations for capital additions	9,385	-	-
Other	(5,119)	-	-
Fund balances, December 31, 1999	<u>\$ 14,791,333</u>	<u>\$ 3,132</u>	<u>\$ 9,919</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital
Statements of Cash Flows of General Funds
For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Loss from operations	\$ (724,759)	\$ (472,199)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	1,496,743	1,464,725
Decrease (increase) in accounts receivable	1,057,707	(913,208)
Decrease (increase) in supplies inventory	84,834	(168,034)
(Increase) decrease in prepaid expenses and other assets	(183,880)	13,616
Increase in trade accounts payable and accrued expenses	237,626	181,289
Increase (decrease) in settlement amounts payable to third parties	178,464	(66,565)
Net cash provided by operating activities	<u>2,146,735</u>	<u>39,624</u>
Cash flows from noncapital financing activities		
Other	52,151	46,785
Net cash provided by noncapital financial activities	<u>52,151</u>	<u>46,785</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(908,044)	(1,473,631)
Repayment of long-term debt	(460,000)	(445,000)
Payments on capital lease obligations	(101,066)	(78,445)
Donations for capital additions	39,385	16,480
Proceeds from disposal of equipment	100	6,129
Net cash used in capital and related financing activities	<u>(1,429,625)</u>	<u>(1,974,467)</u>
Cash flows from investing activities:		
Interest on investments	135,235	146,869
Net cash provided by investing activities	<u>135,235</u>	<u>146,869</u>
Net increase (decrease) in cash and cash equivalents	904,496	(1,741,189)
Cash and cash equivalents, beginning of year	1,619,866	3,361,055
Cash and cash equivalents, end of year	<u>\$ 2,524,362</u>	<u>\$ 1,619,866</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital
Statements of Cash Flows of General Funds, Continued
For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 1,643,080	\$ 858,297
Cash and cash equivalents in assets whose use is limited		
By Board for plant renewal and replacement	741,995	655,373
By County for debt issuance	<u>139,287</u>	<u>106,196</u>
Total cash and cash equivalents	<u>\$ 2,524,362</u>	<u>\$ 1,619,866</u>
Supplemental disclosures:		
Interest paid during the year	<u>\$ 243,871</u>	<u>\$ 271,553</u>
Non-cash financing of equipment with capital lease obligations	<u>\$ 7,872</u>	<u>\$ 244,375</u>

The accompanying notes are an integral part of these financial statements.

Brown County General Hospital

Notes to the Financial Statements

1. Reporting Entity

Brown County General Hospital (Hospital), located in Brown County, Ohio is a county-owned, tax-exempt Ohio not-for-profit corporation which operates an acute care hospital facility providing inpatient and outpatient services primarily to patients in Brown County. As the Hospital is not legally separate from the County, it is included as a blended component unit in the general purpose financial statements of the County. The Hospital is operated under the provisions of the Ohio Revised Code.

The Hospital's reporting entity is composed of the Hospital, component units, and other organizations that are included to ensure that the financial statements of the Hospital are not misleading.

Component units are legally separate organizations for which the Hospital is financially accountable. The Hospital is financially accountable for an organization if the Hospital appoints a voting majority of the organization's governing board and the Hospital is able to significantly influence the programs or services performed or provided by the organization; or the Hospital is legally entitled to or can otherwise access the organization's resources; or the Hospital is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Hospital is obligated for the debt of the organization. Component units may also include organizations for which the Hospital approves the budget, the issuance of debt, or the levying of taxes. Currently, the Hospital does not have any component units.

2. Summary of Significant Accounting Policies

Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for hospitals contained in the "AIPCA Audit and Accounting Guide: Health Care Organizations" and for local governmental units as prescribed in statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board's Statements and Interpretations issued prior to November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

Proprietary Fund Accounting

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

Brown County General Hospital

Notes to the Financial Statements

Charity Care

Hospital patients who meet certain criteria under its charity care policy are provided care without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. Hospital services at normal established rates totaled approximately \$626,000 and \$477,000 for patients meeting the charity care criteria for the years ended December 31, 1999 and 1998, respectively.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined (see Note 4).

Substantially all revenue is recognized when service is rendered.

Supplies Inventory

Supplies inventory, consisting primarily of medical and surgical supplies and drugs, is stated at the lower of cost or market determined on a first-in, first-out basis.

Assets Whose Use is Limited

Assets whose use is limited primarily consists of certificates of deposit, money market accounts and United States Treasury notes. Certain amounts have been designated by the Board of Trustees for future property, plant and equipment renewal and replacement. In addition, certain amounts have been set aside in accordance with agreements with Brown County relating to the debt issuance.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, or estimates of fair market value at date of donation. Depreciation is calculated on the straight-line basis over the estimated service lives of individual assets. Equipment under capital leases is amortized on the straight-line basis over the shorter of the lease term or the estimated service lives of the leased assets.

Expenditures for maintenance and repairs are charged to operations as incurred; improvements are capitalized. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and the difference between book value and any proceeds received on the sale are recorded in operations.

Brown County General Hospital

Notes to the Financial Statements

Fund Balances

The general fund balance represents funds available for general use in the operations of the Hospital. Restricted funds include specific purpose funds and endowment funds and consist of externally restricted donations. Such restricted moneys are transferred to general funds for operations or capital additions, depending upon the purpose, within the period used. The endowment fund consists of two funds: a term endowment to be held until the year 2000 at which time, the principal will be transferred to general fund assets whose use is limited, and an endowment for a student loan program. The interest from the student loan endowment may be used annually for the student loan program. If deemed necessary by the Board of Trustees, endowment fund principal may be expended to ensure continuation of the program.

Gifts and Bequests

Gifts and bequests are recorded at fair market value on the date received. Contributions that are restricted by donor for specific purposes are recorded as specific purpose or restricted fund receipts or donations for equipment expenditures, as appropriate. Gifts and bequests received that are unrestricted by the donor are included in nonoperating revenues.

Statements of Cash Flows

For purposes of the Statements of Cash Flows, the Hospital considers cash in operating accounts and various checking accounts to be cash and cash equivalents.

Estimates

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

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption, error and omission, employee injuries and illnesses; natural disasters, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital also maintains coverage for medical malpractice claims and judgments (see Note 10).

Brown County General Hospital Notes to the Financial Statements

3. Deposits and Investments

GASB Statement Number 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement Number 3.

Deposits: The carrying amount of the Hospital's deposits were \$2,393,364 and \$1,522,195 as of December 31, 1999 and 1998, respectively. The bank balance of the Hospital's deposits were \$2,556,447 and \$1,782,069 as of December 31, 1999 and 1998, respectively. Of the bank balance:

1. \$305,000 was covered by federal depository insurance as of both December 31, 1999 and 1998, respectively.
2. \$2,251,947 and \$1,477,069 were collateralized with pooled securities held by the financial institutions, but not in the Hospital's name, as of December 31, 1999 and 1998, respectively.

Investments: The Hospital is authorized by state statute to make direct investments in certificates of deposit, money market accounts, and U.S. government, federal agency and federal instrumentality obligations.

GASB Statement Number 3 requires the use of three categories to classify investments. Category 1 includes investments that are insured or registered or are held by the Hospital or its agent in the Hospital's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Hospital's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Hospital's name. Money market accounts are unclassified investments since they are not evidenced by the securities in physical or book entry form.

Brown County General Hospital
Notes to the Financial Statements

<u>1999</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair/Carrying</u> <u>Value</u>
Common Stock	\$ 39,354	-	\$ -	\$ 39,354
U.S. Treasury Notes	-	-	450,929	450,929
Money Market Accounts	-	-	-	139,287
Total Investments	\$ 39,354	-	\$ 450,929	\$ 629,570

<u>1998</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair/Carrying</u> <u>Value</u>
Common Stock	\$ 15,515	-	\$ -	\$ 15,515
U.S. Treasury Notes	-	-	458,943	458,943
Money Market Accounts	-	-	-	106,196
Total Investments	\$ 15,515	-	\$ 458,943	\$ 580,654

In 1998, the Hospital implemented GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement required the Hospital to change its method of accounting for investments at cost to accounting for these at fair value. Implementation of this statement did not have a material effect upon the financial statements.

Brown County General Hospital
Notes to the Financial Statements

4. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Total gross patient services revenue and related allowances for the years ended December 31 were as follows:

	<u>1999</u>	<u>1998</u>
Gross patient service revenue at established rates (including charity care)	\$ 32,529,700	\$ 29,575,023
Less:		
Contractual allowances	(10,019,475)	(8,797,040)
Charity care	<u>(625,977)</u>	<u>(477,262)</u>
Net patient service revenue	<u>\$ 21,884,248</u>	<u>\$ 20,300,721</u>

A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively-determined rates per discharge. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports prior to January 1, 1997 have been audited and finalized by the Medicare fiscal intermediary. Revenue from participation in the Medicare program amounted to 40% and 42% of operating revenues in 1999 and 1998, respectively.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively-determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost reimbursement and fee schedule methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports prior to January 1, 1995 have been audited and finalized by the Medicaid fiscal intermediary. Revenue from participation in the Medicaid Program amounted to 18% of operating revenues in both 1999 and 1998.

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

Brown County General Hospital
Notes to the Financial Statements

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	<u>1999</u>	<u>1998</u>
Land and land improvements	\$ 763,917	\$ 725,791
Buildings and building improvements	11,225,198	11,178,429
Equipment	14,367,582	13,800,515
Construction in progress	127,605	102,610
	<u>26,484,302</u>	<u>25,807,345</u>
Total		
Less accumulated depreciation	<u>(13,547,844)</u>	<u>(12,273,900)</u>
Property, plant and equipment, net	<u>\$ 12,936,458</u>	<u>\$ 13,533,445</u>

6. Long-Term Debt

Long-term debt, including capital lease obligations, consists of the following:

	<u>1999</u>	<u>1998</u>
Hospital improvement bond issued in 1993, collateralized by a pledge of all revenues, investment income, accounts receivable, contracts and contract rights, bearing interest from 2.8% to 5.3%.	\$ 2,545,000	\$ 2,905,000
Hospital facilities revenue bonds issued in 1995, collateralized by a pledge of all revenues, investment income, accounts receivable, contracts, instruments and inventories, bearing interest at 5.5%	600,000	700,000
Capital lease obligations, at various effective interest rates between 6.5% and 12.6% collateralized by leased equipment	<u>308,771</u>	<u>401,965</u>
	3,453,771	4,006,965
Less current portion	<u>579,336</u>	<u>566,140</u>
	<u>\$ 2,874,435</u>	<u>\$ 3,440,825</u>

Brown County General Hospital
Notes to the Financial Statements

Under the terms of the improvement bond agreement, the Hospital is required by the County to maintain funds on deposit equal to the maximum annual debt service on the bonds. This reserve is included with assets whose use is limited in the financial statements.

Scheduled principal repayments on long-term debt and payments on capital lease obligations for the next five years are as follows:

Year	<u>Long-Term Debt</u>	<u>Obligations Under Capital Lease</u>
2000	\$ 475,000	\$ 126,455
2001	490,000	108,353
2002	510,000	90,711
2003	535,000	29,326
2004	555,000	-
Thereafter	580,000	-
	<u>\$ 3,145,000</u>	<u>354,845</u>
Less amount representing interest		<u>(46,074)</u>
Present value of minimum lease payments		308,771
Less current portion		<u>(104,336)</u>
Noncurrent portion		<u>\$ 204,435</u>

The Hospital is the lessee in various capital leases as noted above. A provision of the lease agreements is a purchase commitment of a fixed number of supply packs for the capital equipment on an annual basis. Management feels that they will be unable to fulfill the purchase commitment on some of these agreements and may incur an additional loss imposed by the lessor. No provision has been recorded as the amount is undeterminable; however, Hospital management does not believe that the eventual liability, if any, will have a material effect on the financial position or operations of the Hospital.

Assets under capital lease were approximately \$425,000 at December 31, 1999 and 1998 (with accumulated depreciation of approximately \$128,000 and \$69,000 at December 31, 1999 and 1998, respectively), and are included in property, plant and equipment in the accompanying balance sheets.

Brown County General Hospital

Notes to the Financial Statements

7. Commitments

In addition to the capital leases, the Hospital has operating leases for the computer system and two pieces of medical equipment. These obligations extend through 2004.

Minimum principal payments for operating leases have non-cancelable terms for the next five years are as follows:

2000	\$ 321,908
2001	339,770
2002	323,097
2003	158,370
2004	124,342

Lease expense for the year ended December 31, 1999 and 1998 was \$209,296 and \$167,077, respectively.

8. Retirement Plan

The Hospital participates in a state pension plan, the Public Employees Retirement System (PERS), which covers substantially all employees.

The PERS plan is a cost sharing, multiple employer, defined benefit, public employee retirement plan. It provides retirement, disability and death benefits to plan members and beneficiaries. The PERS plan also provides health care benefits to vested retirees. Benefits provided under the plan are established by State Statute.

The plan issues a separate, publicly available financial report that includes a balance sheet and required supplementary information. This report may be obtained by contacting: Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 42315, Telephone (614) 466-2085.

The Ohio Revised Code provides PERS statutory authority for employer and employee contributions. The required, actuarially-determined contribution rates for the Hospital and for the employee are 13.55% and 8.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years are as follows:

<u>Year</u>	<u>Contribution</u>
1999	\$ 1,163,365
1998	1,129,466
1997	1,016,790

Brown County General Hospital Notes to the Financial Statements

9. Other Post-Employment Benefits:

In addition to the pension benefits described in Note 7 above, PERS also provides post-retirement health care coverage, commonly referred to as OPEB (Other Post-Employment Benefits). The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions.

PERS provides post-retirement health care coverage to age and service retirants and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The 1999 employer rate for employees coverage by PERS was 13.55%, of which 4.2% was used to fund health care.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

10. Professional Liability Insurance

The Hospital maintains malpractice insurance coverage on a per occurrence basis with Ohio Hospital Insurance Company. Professional liability claims are currently pending against the Hospital. No provision for loss has been made in the accompanying financial statements because management is of the opinion that the ultimate liability, if any, resulting from the lawsuits would be adequately covered by insurance and would not adversely affect the financial position of the Hospital.

BROWN COUNTY GENERAL HOSPITAL

SECTION B

**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**Report of Independent Accountants on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

April 21, 2000

The Board of Trustees
Brown County General Hospital

We have audited the financial statements of Brown County General Hospital (the "Hospital") as of and for the year ended December 31, 1999, and have issued our report thereon dated April 21, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the

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financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Hospital in a separate letter dated April 21, 2000.

This report is intended for the information of the Board of Trustees, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

BROWN COUNTY GENERAL HOSPITAL

BROWN COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: JUNE 13, 2000