

**MARK MILFORD HICKSVILLE  
JOINT TOWNSHIP HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 1999**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Trustees  
Mark Milford Hicksville Joint Township Hospital District

We have reviewed the Independent Auditor's Report of the Mark Milford Hicksville Joint Township Hospital District, Defiance County, prepared by Rea & Associates, Inc. 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 Mark Milford Hicksville Joint Township Hospital District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

August 23, 2000

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 1999**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

June 27, 2000

To The Board of Trustees  
Mark Milford Hicksville Joint Township Hospital District  
Hicksville, Ohio

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Mark Milford Hicksville Joint Township Hospital District as of December 31, 1999, and the related statements of operations, changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of Mark Milford Hicksville Joint Township Hospital District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. These standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mark Milford Hicksville Joint Township Hospital District as of December 31, 1999, and the results of its operations, changes in fund balance, and cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2000 on our consideration of Mark Milford Hicksville Joint Township Hospital District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants.

*Rea & Associates, Inc.*

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**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**BALANCE SHEET-UNRESTRICTED FUNDS  
AS OF DECEMBER 31, 1999**

	<u><b>1999</b></u>
<u><b>ASSETS</b></u>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 1,016,204
Net patient receivables	1,240,267
Current portion of miscellaneous receivable	16,864
Supplies inventory	69,859
Prepaid expenses	20,960
Assets limited as to use	147,242
<b>Total current assets</b>	<u>2,511,396</u>
Assets limited as to use:	
Internally designated	2,404,800
Less amount required to meet current obligations	<u>(147,242)</u>
	2,257,558
Property and equipment, net	3,892,201
Investment in joint venture	111,187
Miscellaneous receivables, net of current portion	<u>142,300</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 8,914,642</b></u>

**LIABILITIES AND FUND BALANCE**

<b>CURRENT LIABILITIES:</b>	
Current portion of long-term debt and leases	\$ 165,304
Accounts payable	480,259
Accrued payroll	192,284
Accrued withholdings	553
Compensated absences	125,650
<b>Total current liabilities</b>	<u>964,050</u>
Long-term debt and leases, less current portion	991,855
<b>FUND BALANCE:</b>	
Unrestricted	<u>6,958,737</u>
<b>Total fund balance</b>	<u>6,958,737</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$ 8,914,642</b></u>

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

# MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT

## STATEMENT OF OPERATIONS - UNRESTRICTED FUNDS FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>1999</u>
<b>REVENUE:</b>	
Net patient service revenue	\$ 6,698,527
<b>OPERATING EXPENSES:</b>	
Salaries and wages	2,609,673
Employee benefits	754,486
Physician services	445,675
Purchased services	846,270
Supply expense	463,247
Maintenance and repair	98,561
Utilities	132,890
Insurance	57,245
Lease expense	9,764
Miscellaneous	157,230
Provision for bad debts	438,571
Depreciation and amortization	428,163
Physician office	840,153
<b>Total operating expenses</b>	<u>7,281,928</u>
Operating loss	(583,401)
<b>NON-OPERATING REVENUES:</b>	
Earnings on investments	153,043
Interest income-patients	1,954
Contributions	46,183
Revenue from investment in joint venture	15,501
Miscellaneous	73,319
<b>Total non-operating revenues</b>	<u>290,000</u>
Change in fair value of investments	<u>42,000</u>
<b>Deficit of revenues over expenses</b>	<u><u>\$ (251,401)</u></u>

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

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**STATEMENTS OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>1999</u>
<b>FUND BALANCE, January 1, 1999</b>	\$ 7,210,138
Deficit of revenues over expenses	<u>(251,401)</u>
<b>FUND BALANCE, December 31, 1999</b>	<u><u>\$ 6,958,737</u></u>

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

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**STATEMENT OF CASH FLOWS-UNRESTRICTED FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u><b>1999</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from patients and third-party payers	\$ 6,169,306
Cash paid to suppliers for services and goods	(3,159,148)
Cash payments to employees for services	(3,364,159)
<b>Net cash used by operating activities</b>	<u>(354,001)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisitions and construction of capital assets	(193,902)
Principal payments on capital leases	(39,314)
Interest paid on capital related debt and capital leases	(36,070)
<b>Net cash used in capital and related financing activities</b>	<u>(269,286)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from notes and loans	41,100
Interest on investments	154,997
Other nonoperating income	119,502
<b>Net cash provided by investing activities</b>	<u>315,599</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(307,688)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>2,994,692</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><b>\$ 2,687,004</b></u>
<b>CASH AND CASH EQUIVALENTS INCLUDE THE FOLLOWING:</b>	
Cash and equivalents	\$ 1,016,204
Assets limited as to use cash and cash equivalents:	
Funds available for future construction and equipment	1,670,800
<b>Total cash and cash equivalents</b>	<u><b>\$ 2,687,004</b></u>
<b>A reconciliation of operating loss to net cash flows used by operating activities is as follows:</b>	
Operating loss	\$ (583,401)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>	
Depreciation and amortization	428,163
Interest expense	10,445
<b>Changes in assets and liabilities:</b>	
Increase in patient accounts receivable	(90,650)
Increase in inventories	(5,880)
Increase in prepaid items	(11,931)
Decrease in accounts payable	(157,796)
Increase in accrued expenses	57,049
<b>Net cash used by operating activities</b>	<u><b>\$ (354,001)</b></u>

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

# MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

**Organization** – The Mark Milford Hicksville Joint Township Hospital District, Defiance County, (the Hospital District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by law. The Mark Milford Hicksville Joint Township Hospital District is a Hospital District created under provisions of Section 513.07 of the Ohio Revised Code. The Hospital District operates under the direction of a nine-member board consisting of the township trustees of Mark Milford and Hicksville Townships. The Hospital District is responsible for establishing, constructing, and maintaining a joint township district hospital or other hospital facilities for the residents of the contiguous townships of Mark, Milford, and Hicksville.

**Basis of Presentation** - The financial statements have been presented in conformity with generally accepted accounting principles as recommended in the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountants. In accordance with hospital industry accounting practice, the financial statements include restricted and unrestricted funds.

**Use of Estimates** - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounting Standards** - Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

**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.

**Cash equivalents** - Cash equivalents include all highly liquid investments purchased from original maturities of three months or less, excluding arrangements under trust agreements.

**Investments** are carried at fair value. Gains and losses on investments, both realized and unrealized, are included in income.

Interest and dividends on investments are included in nonoperating income when earned.

**Patient Accounts Receivable and Revenue** - Patient accounts receivable and revenue are recorded when patient services are performed. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories-** Inventories are stated at the lower of cost or market value determined by the first-in, first-out method.

**Assets Limited as to Use -** Assets limited as to use consist of invested funds designated by the Board of Trustees for future capital improvements, funds invested in accordance with agreements with a third-party, and funds held by trustees under indenture agreements (see Note 6).

**Property and Equipment -** Property and equipment are recorded at cost, or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

**Charity Care -** The Hospital maintains a policy whereby care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**2. DEPOSITS AND INVESTMENTS**

The classification of cash and cash equivalents, assets whose use is limited and investments on the financial statements differs from criteria set forth in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements". A reconciliation between the general fund classifications of cash and cash equivalents, assets whose use is limited and investments on the financial statements and the classification of deposits and investments per GASB Statement No. 3 is as follows:

	<b>Cash and Cash <u>Equivalents</u></b>	<b>Assets Whose Use Is <u>Limited</u></b>
Financial statements	\$ 1,016,954	\$ 2,258,800
Investments	0	(588,000)
Cash on hand	<u>(750)</u>	<u>0</u>
<b>GASB Statement No. 3 deposits</b>	<b><u>\$ 1,016,204</u></b>	<b><u>\$ 1,670,800</u></b>

The Hospital may deposit funds not needed for immediate expenses in interest-bearing or non-interest-bearing accounts or in United States government obligations.

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**2. DEPOSITS AND INVESTMENTS (continued)**

**Deposits** - At December 31, 1999, the carrying amount of the Hospital's bank deposits were \$2,686,254 as compared to bank balances of \$2,898,511. The differences in carrying amounts and bank balances are caused by outstanding checks, deposits in-transit, and other reconciling items. Of the bank balances \$279,734 is covered by Federal insurance programs and \$2,618,777 is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

**Investments** - The Hospital's investments are categorized below to give an indication of the level of risk assumed by the entity. Risk Category 1 includes those investments that meet any one of the following criteria: a) Insured; b) Registered; or c) Held by the Hospital or its agent in the Hospital's name. Risk Categories 2 and 3 include investments which are neither insured or registered. Category 2 includes investments which are held by the counterparty's trust department (or agent) in the Hospital's name. Category 3 includes investments held by a) the counterparty, or b) the counterparty's trust department (or agent) but not in the Hospital's name.

	1999			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>Category 2</u>	<u>3</u>		
Common stock	\$	0 \$ 588,000	\$ 0	\$588,000	\$ 588,000
Total investments	<u>\$</u>	<u>0 \$ 588,000</u>	<u>\$ 0</u>	<u>\$588,000</u>	<u>\$ 588,000</u>

Common stock with a fair market value at its donation date of \$248,000 and market value of \$588,000 as of December 31, 1999 is traded on a quoted market; therefore, the year-end market value is determined by its quoted market price.

**3. PATIENT ACCOUNTS RECEIVABLE**

The details of patient accounts receivable are set forth below:

	<u>December 31, 1999</u>
Total patient accounts receivable	\$ 2,746,319
Less allowances for:	
Contractual adjustments	(1,130,740)
Uncollectible adjustments	<u>(375,312)</u>
Net patient receivable	<u><b>\$ 1,240,267</b></u>

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**4. NOTES AND LOANS RECEIVABLE**

Notes and loans receivable represent loans to physicians under various cash flow support and loan arrangements. The physician loans are to be repaid in varying monthly installments including interest at 7.0%. A summary of the amounts outstanding is as follows:

	<b>December 31, 1999</b>
	<u>                    </u>
Gross notes and loans receivable	\$ 159,164
Less: Current Portion	<u>(16,864)</u>
Long term portion	<b><u>\$ 142,300</u></b>

**5. ASSETS LIMITED AS TO USE**

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use is set forth in the following table.

	<b>December 31, 1999</b>
	<u>                    </u>
Internally designated for future capital improvements:	
Cash and cash equivalents	\$ 1,670,800
Investments in common stock	588,000
Miscellaneous assets	<u>146,000</u>
Total assets limited as to use	<b><u>\$ 2,404,800</u></b>
Assets limited as to use - current portion	\$ 147,242
Assets limited as to use - long term portion	<u>2,257,558</u>
Total assets limited as to use	<b><u>\$ 2,404,800</u></b>

**6. INVESTMENTS**

The Hospital's investments are held by the Hospital or its agent in the Hospital's name.

The cost and approximate fair value of investments are as follows:

**Assets limited as to use:**

	<u>Cost</u>	<u>Fair Value January 1, 1999</u>	<u>Fair Value December 31, 1999</u>	<u>Change in Fair Value</u>
<b>Common Stock:</b>				
Empire Banc Stock	<u>\$ 248,000</u>	<u>\$ 546,000</u>	<u>\$ 588,000</u>	<u>\$ 42,000</u>

The Empire Banc Stock collateralizes the long-term debt discussed in Note 8.

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**7. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>Depreciable</b>	<b>December 31,</b>	
		<u>1999</u>	<u>Lives-Years</u>
Assets Held by Hospital:			
Land	\$ 17,500		0
Land and land improvements	248,677		0 - 20
Building and fixed equipment	3,685,650		5 - 20
Furniture and fixtures	4,284,322		5 - 20
Capital leases	396,473		5 - 10
Rehabilitation center	891,027		5 - 20
Contractual equipment	<u>13,903</u>		5 - 20
Total cost	9,537,552		
Less accumulated depreciation		<u>(5,645,351)</u>	
Property and equipment - net		<u><b>\$ 3,892,201</b></u>	

Depreciation and amortization totaled \$428,163 in 1999. Interest in the amount of \$25,625 was capitalized in 1999.

**8. LONG-TERM DEBT AND LEASES**

	<u>December 31,</u> <u>1999</u>
Note payable to the Hicksville Bank, December 14, 1999, due in monthly installments of principal plus interest at 4.85%, collateralized by 16,800 shares of Empire Banc Stock	\$ 800,000
Obligations under capital lease	<u>357,159</u>
	1,157,159
Less: current portion	<u>(165,304)</u>
<b>Long term portion</b>	<u><b>\$ 991,855</b></u>

**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**8. LONG-TERM DEBT AND LEASES (continued)**

The Hospital has entered into various non-cancelable lease agreements for equipment. These capital leases are due in monthly installments including interest at rates ranging from 4.0% to 5.1%. They expire at various times through 2004 and are collateralized by the equipment.

	<b>December 31,</b>
	<b><u>1999</u></b>
Cost of equipment under capital lease	\$ 396,473
Accumulated amortization	<u>54,902</u>
Net carrying amount	<b><u>\$ 341,571</u></b>

Minimum payments on these obligations to maturity as of December 31, 1999 are as follows:

	<b><u>Long-Term Debt</u></b>	<b><u>Capital Leases</u></b>	<b><u>Total</u></b>
2000	\$ 75,513	\$ 89,791	\$ 165,304
2001	75,513	89,791	165,304
2002	75,513	89,791	165,304
2003	75,513	89,791	165,304
2004	75,513	39,285	114,798
Thereafter	<u>755,128</u>	<u>0</u>	<u>755,128</u>
Subtotal	1,132,693	398,449	1,531,142
Less amount representing interest	<u>(332,693)</u>	<u>(41,290)</u>	<u>(373,983)</u>
<b>Total</b>	<b><u>\$ 800,000</u></b>	<b><u>\$ 357,159</u></b>	<b><u>\$ 1,157,159</u></b>

The Hospital's long-term debt and capital leases are stated at the historical amount which approximates the fair value at December 31, 1999. The current rates and terms offered to the Hospital are comparable to the weighted averaged interest rates and terms of the current outstanding long-term debt and capital leases.

**9. CHARITY CARE**

The Hospital provides uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone for services rendered under the Hospital's charity care policy amount to approximately \$119,000 in 1999.

**10. PENSION PLANS**

**Public Employees Retirement System**

The Hospital contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43251-4642.

MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

10. PENSION PLANS (CONTINUED)

**Public Employees Retirement System (continued)**

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the Hospital is required to contribute 13.55%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Hospital's contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were approximately \$433,965, \$414,246, and \$391,071.

11. POST EMPLOYMENT HEALTH CARE BENEFITS

**Public Employees Retirement System**

In addition to providing pension benefits through Public Employees Retirement System of Ohio ("System"), the System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio Service Credit. Health care coverage for disability recipients and primary service recipients is also available. The Ohio Revised Code provides statutory authority for employee and employer contributions to the System. As described in Note 4 – Retirement Commitments, the employer contribution rate to the System was 13.55% of covered payroll. Of covered payroll, 4.2% was the portion that was used to fund health care in 1998, the latest information available.

The Other Post-Employment Benefits (OPEB) is a standardized disclosure measure of the present value of OPEB adjusted for the effects of payroll increases and health care premium increases. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due. The System does not make separate measurements of assets and OPEB for individual employers.

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,317. The number of statewide benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

12. SELF-INSURED HEALTH BENEFITS

The Hospital is self-insured, subject to certain stop-loss coverage, for its employees' health benefits. The Hospital accrues the estimated costs of reported and incurred-but-not-reported claims based on its actual claims history. At December 31, 1999, the estimated amount of these liabilities, included in the Hospital's other accrued expenses, was \$60,850. This liability is the Hospital's best estimate based on available data. Changes in the reported balances of claims liabilities for 1999 resulted from the following:

	<b><u>Beginning Year Liability</u></b>	<b><u>Changes in Estimates</u></b>	<b><u>Claim Payments</u></b>	<b><u>Balances at Year-End</u></b>
1999	\$ 0	\$ 319,251	\$ 258,401	\$ 60,850

13. ADVERTISING

The Hospital expenses advertising costs as they are incurred. Advertising expense was \$28,054 for 1999. Advertising expenses are included as operating expenses in the financial statements.

## MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

#### 14. MEDICAL MALPRACTICE CLAIMS

The Hospital has purchased occurrence-based insurance to protect itself against losses from medical malpractice claims. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits of \$3,000,000 per individual claims and \$5,000,000 in the annual aggregate.

#### 15. RELATED ORGANIZATIONS

**Community Memorial Hospital** – The operations of the Community Memorial Hospital (the component unit) are controlled by the Board of Hospital Governors under the authority of Section 513.16. The oversight authority of the Hospital consists of six members, one elector from each township and three electors-at-large from the Hospital District, one of whom is required to be a doctor of medicine, are appointed by the Hospital District. The Hospital District serves as the appropriating authority and can also levy taxes for the Board of Hospital Governors. The operations of the Community Memorial Hospital are accounted for as a discretely presented component unit.

**InSight Health Services Corporation** – Pursuant to an agreement authorized by state statutes, the Community Memorial Hospital joined Community Hospitals of Williams County, Inc. and Wood County Hospital, Inc. to establish and provide diagnostic imaging services to hospitals on a mobile shared service basis. The chief executive officer of each partner, or his designee, serves as a member of the Governing Board of the joint venture. All the assets, property, income, revenue, and earnings of the joint venture shall be held, used, managed, devoted, expended, and applied at the discretion and judgement of the Governing Board. The Board of Hospital Governors' share of equity in the joint venture is disclosed as an investment in the component unit's financial statements. Financial information for the joint venture is presented in Note 16.

Management believes the financial statements included in this report represent all of the funds of the Hospital District over which the Board has the ability to exercise direct operating control.

#### 16. JOINT VENTURE

On April 20, 1994, the Hospital entered into a general partnership with a 7.7% interest in four county MRI services. The joint venture is accounted for using the equity method and is shown as an *Investment in joint venture* on the balance sheet.

In 1999, the Hospital District made payments for services rendered of \$58,195, to InSight Health Services Corporation. A copy of the financial report may be obtained from the InSight Health Services Corporation, 4400 MacArthur Boulevard, Suite 800, Newport Beach, California 92660.

#### 17. COMMITMENTS

The Hospital is involved in various pending claims and lawsuits. In the opinion of the Hospital's management, after consultation with legal counsel, the potential for loss on the claims and lawsuits will not materially effect the Hospital's financial position.

# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

June 27, 2000

To the Board of Trustees  
Mark Milford Hicksville Joint Township Hospital District  
Hicksville, Ohio

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

We have audited the financial statements of Mark Milford Hicksville Joint Township Hospital District, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 27, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Mark Milford Hicksville Joint Township Hospital District'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*. However, we noted certain immaterial instances of noncompliance that we have reported to management, in a separate letter dated June 27, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mark Milford Hicksville Joint Township Hospital District'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mark Milford Hicksville Joint Township Hospital District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions noted during our audit are described below.

**Purchase Orders**

The policy of the District states a properly authorized purchase order will be obtained prior to goods and services being ordered or incurred. During 1999, the policy was not enforced therefore purchase orders were not utilized.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition listed above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Mark Milford Hicksville Joint Township Hospital District in a separate letter dated June 27, 2000.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MARK MILFORD HICKSVILLE JOINT TOWNSHIP HOSPITAL DISTRICT**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 5, 2000**