

**ADAMS COUNTY HOSPITAL
WEST UNION, OHIO**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2000



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
www.auditor.state.oh.us

Board of Trustees
Adams County Hospital
210 N. Wilson Dr.
West Union, OH 45693

We have reviewed the independent auditor's report of the Adams County Hospital, prepared by VonLehman & Company Inc., for the audit period January 1, 2000 through December 31, 2000. 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 Adams County Hospital is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

April 12, 2001

ADAMS COUNTY HOSPITAL

TABLE OF CONTENTS

December 31, 2000

	<u>PAGE</u>
Independent Auditors' Report	
Financial Statements	
Balance Sheets	1
Statements of Operations	2
Statements of Changes in Fund Balances	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-14
Other Information	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards	15-16
Non Compliance Citation - Ohio Revised Code	17
Status of Prior Audit Citations and Recommendations	18

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Adams County Hospital
West Union, Ohio

We have audited the accompanying balance sheets of Adams County Hospital as of December 31, 2000 and 1999, and the related statements of operations, fund balances, and cash flows for the years then ended. 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 in accordance with U.S. 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. Those standards require that we plan and perform the audits 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 audits provide 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 Adams County Hospital as of December 31, 2000 and 1999, and the results of its operations, and the cash flows of its proprietary fund types for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 23, 2001, on our consideration of Adams County 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 an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 23, 2001

**ADAMS COUNTY HOSPITAL
STATEMENTS OF OPERATIONS**

	Year Ended December 31, 2000				Year Ended December 31, 1999			
	General Fund	Restricted Funds	Total Funds	Percent	General Fund	Restricted Funds	Total Funds	Percent
Net Patient Service Revenues	\$ 15,722,512	\$ -	\$ 15,722,512	98.5 %	\$ 15,972,904	\$ -	\$ 15,972,904	98.5 %
Other Operating Revenues	239,556	1,898	241,454	1.5	244,545	2,043	246,588	1.5
Total Operating Revenues	<u>15,962,068</u>	<u>1,898</u>	<u>15,963,966</u>	<u>100.0</u>	<u>16,217,449</u>	<u>2,043</u>	<u>16,219,492</u>	<u>100.0</u>
Operating Expenses								
Salaries and Benefits	7,521,015	-	7,521,015	47.1	7,624,599	-	7,624,599	47.0
Medical Professional Fees	1,081,593	-	1,081,593	6.8	1,189,520	-	1,189,520	7.3
Supplies	1,835,275	-	1,835,275	11.5	1,958,390	-	1,958,390	12.1
Purchased Services	1,754,828	-	1,754,828	11.0	1,808,053	-	1,808,053	11.1
Equipment Rentals	109,535	-	109,535	0.7	140,885	-	140,885	0.9
Repairs and Maintenance	386,711	-	386,711	2.4	415,405	-	415,405	2.6
Utilities	327,614	-	327,614	2.1	348,986	-	348,986	2.2
Depreciation	534,139	-	534,139	3.3	570,023	-	570,023	3.5
Interest	23,357	-	23,357	0.1	23,577	-	23,577	0.1
Provision for Bad Debts	1,756,246	-	1,756,246	11.0	1,753,575	-	1,753,575	10.8
Other	488,724	1,503	490,227	3.1	461,592	3,703	465,295	2.9
Total Operating Expenses	15,819,037	1,503	15,820,540	99.1	16,294,605	3,703	16,298,308	100.5
Income (Loss) from Operations	143,031	395	143,426	0.9	(77,156)	(1,660)	(78,816)	-0.5
County Subsidy	90,000	-	90,000	0.6	867,090	-	867,090	5.3
Non-Operating (Expense) Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0</u>	<u>(4,533)</u>	<u>-</u>	<u>(4,533)</u>	<u>0.0</u>
Excess (Deficit) of Revenues Over Expenses	<u>\$ 233,031</u>	<u>\$ 395</u>	<u>\$ 233,426</u>	<u>1.5 %</u>	<u>\$ 785,401</u>	<u>\$ (1,660)</u>	<u>\$ 783,741</u>	<u>4.8 %</u>

See auditors' report and accompanying notes.

**ADAMS COUNTY HOSPITAL
STATEMENTS OF CHANGES IN FUND BALANCES**

	<u>2000</u>		<u>1999</u>	
	<u>General Fund</u>	<u>Restricted Funds</u>	<u>General Fund</u>	<u>Restricted Funds</u>
Balance Beginning of Year	\$ 4,127,432	\$ 51,039	\$ 3,342,031	\$ 52,699
Excess (Deficit) of Revenues Over Expenses	<u>233,031</u>	<u>395</u>	<u>785,401</u>	<u>(1,660)</u>
Balance End of Year	<u>\$ 4,360,463</u>	<u>\$ 51,434</u>	<u>\$ 4,127,432</u>	<u>\$ 51,039</u>

See auditors' report and accompanying notes.

**ADAMS COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS**

	December 31,	
	2000	1999
Cash Flows from Operating Activities		
Excess of Revenues over Expenses	\$ 233,031	\$ 789,934
Interest Expense Considered in Capital Financing Activity	23,357	23,577
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	534,139	570,023
Provision for Bad Debts	1,756,246	1,753,575
Loss on Disposal of Equipment	43,846	160,564
Changes in:		
Patient Accounts Receivable	(1,835,605)	(1,601,705)
Inventories	(11,707)	59,683
Prepaid Expenses and Other Assets	(64,112)	(34,868)
Accounts Payable	129,959	(640,285)
Accrued Expenses	(186,047)	(496,452)
Litigation Settlement Payable	35,661	-
	658,768	584,046
Net Cash Provided by Operating Activities		
Cash Flows from Non-Capital Financing Activities		
Non-Operating (Expense)	-	(4,533)
Non-Capital Restricted Contributions	1,129	-
Expenditures of Restricted Funds	(1,503)	(3,703)
	(374)	(8,236)
Net Cash (Used) by Non-Capital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Interest Expense	(23,357)	(23,577)
Acquisition of Property and Equipment	(254,538)	(232,557)
Proceeds from Sale of Equipment	250	95
Payments on Capital Lease Obligations	(47,309)	(154,335)
	(324,954)	(410,374)
Net Cash (Used) by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Investment Income	769	2,043
	769	2,043
Net Cash Provided by Investing Activities		
Net Change in Cash and Cash Equivalents	334,209	167,479
Beginning Cash and Cash Equivalents	860,506	693,027
Ending Cash and Cash Equivalents	\$ 1,194,715	\$ 860,506
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and Cash Equivalents in Current Assets	\$ 1,026,676	\$ 696,033
Cash and Cash Equivalents Whose Use is Limited		
Board Designated for Future Capital Purposes	116,605	113,434
Restricted Fund Cash and Cash Equivalents	51,434	51,039
	116,605	113,434
	\$ 1,194,715	\$ 860,506
Total Cash and Cash Equivalents		

See auditors' report and accompanying notes.

**ADAMS COUNTY HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

Adams County Hospital (the Hospital) is a 60-bed facility, owned by Adams County, Ohio and operated by a Board of Trustees as provided for under Ohio Revised Code Section 339. Members of the Board of Trustees are appointed by Adams County Judges and County Commissioners.

Nature of Operations

The Hospital's operations consist almost exclusively of providing healthcare services to the residents of Adams County, Ohio, and the surrounding area.

Basis of Accounting

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

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 Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

Funds

In accordance with the published recommendations of the American Institute of Certified Public Accountants, the Hospital segregates its accounting records into the following funds:

General Fund

This fund is used to account for all the revenues derived and expenses incurred in the day-to-day activities of the Hospital together with all unrestricted donor contributions.

Restricted Funds

These funds are used to account for the receipts and disbursements of donor restricted contributions.

NOTE 1 - ACCOUNTING POLICIES (Continued)**Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are deposited in financial institutions as authorized and directed by State statutes. All deposits are collateralized by pledged securities of the financial institutions up to or exceeding the value of the deposits, as specified by State statutes.

Cash equivalents are defined as those funds on deposit which mature in three months or less, while investments are funds on deposit maturing in more than three months.

Cash, Cash Equivalents, and Investments Whose Use is Limited

Cash, cash equivalents, and investments whose use is limited include assets set aside by the Board of Trustees for future capital improvements, over which the Board of Trustees retains control and may at its discretion subsequently use for other purposes.

Inventories

Inventories consist primarily of supplies and are valued at the lower of cost under the first-in, first-out (FIFO) method, or market.

NOTE 1 - ACCOUNTING POLICIES (Continued)**Property and Equipment**

Property and equipment is recorded at cost or at fair market value at the date received if acquired by gift. It is the Hospital's policy to capitalize acquired property and equipment with a cost or fair market value of \$500 or greater. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expense as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the depreciable assets as follows:

Land Improvements	5 - 20 Years
Buildings and Fixed Equipment	5 - 40 Years
Major Movable Equipment	5 - 20 Years

Lease Agreements

The liability for lease obligations which are in substance installment purchases has been recorded in the financial statements and the leased equipment capitalized as fixed assets. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Annual rentals pertaining to leases which convey merely the right to use property are charged to current operations. Depreciation of capital leases is included in depreciation expense on the statements of operations.

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. 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. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid at a prospectively determined rate per day based on clerical, diagnostic and other factors. Through July 31, 2000, certain outpatient services related to Medicare beneficiaries were paid based on a cost reimbursement methodology for services rendered. Effective August 1, 2000, outpatient services are reimbursed on a prospective rate scale based on Ambulatory Patient Classifications (APC's). Through September 30, 2000, Home Health Services were reimbursed by Medicare on a cost basis subject to "per visit and per beneficiary" cost limitations. Effective October 1, 2000, Home Health Services are reimbursed on a prospective basis for episodes of care spanning 60 days. There are exceptions which could adjust the 60-day payment period. The payment rates are based on a clinical assessment system called OASIS (the Outcome and Assessment Information Set). For the portions of the fiscal year that the Hospital was reimbursed on the cost basis, the Hospital was paid an interim rate. A final settlement will be determined after submission of the annual cost report by the hospital and audits thereof by the Medicare Fiscal Intermediary.

NOTE 1 - ACCOUNTING POLICIES (Continued)

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a rate per discharge basis. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fee schedule basis. Inpatient capital costs are reimbursed at a tentative rate with a final settlement to be determined after submission of the annual cost report by the Hospital and audits thereof by the Medicaid Fiscal Intermediary.

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

Charity Care

The Hospital provides care to patients who meet criteria under its charity care policy 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 revenues.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**Risk Management**

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; 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.

Legal Requirements

Statutes require the classification of monies held by the Hospital into three categories:

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for current demands. Such monies must be maintained either as cash or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of "interim" monies; those monies which are not needed for immediate use, but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the full faith and credit of the United States is pledged for the payment of principal and interest;

Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality. The securities fall into three categories: obligations of the federal government, federal agencies, and federal instrumentalities;

Time certificates of deposit or savings or deposit accounts, including, but not limited to pass book accounts in any eligible institution mentioned in Section 135.32 of the Ohio Rev. Code having an office located within the territorial limits of the county;

Bonds or other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this state or its political subdivisions;

Effective October 7, 1993, no load money market funds consisting exclusively of obligations described as "active" and "inactive" monies above, and repurchase agreements secured by such obligations so long as made through eligible institutions mentioned in 135.32 O.R.C.

The investing authority may also enter into a written repurchase agreement under the terms of which agreement the investing authority purchases and the seller agrees unconditionally to repurchase any of the securities listed in categories 1 and 2 above. He also may sell any of such securities owned by the county under the same terms and conditions for repurchase.

The State Treasurer's investment pool.

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Insured or collateralized with securities held by the entity or by its agent in the entity's name;

Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;

Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At year end, the carrying amount of the Hospital's deposits was \$1,194,715 and the bank balance was \$1,379,009. Of the bank balance:

\$242,543 was covered by federal depository insurance, thus, would belong in risk category "insured or collateralized"; and

\$1,136,466 was covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and thus belongs in risk category, "uncollateralized".

Cash paid for interest was as follows:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Interest	<u>\$23,357</u>	<u>\$23,577</u>

Non-cash investing or financing activities in 2000 and 1999 was as follows:

Assets Acquired Under Capital Lease Obligations	<u>\$48,103</u>	<u>\$79,595</u>
--	-----------------	-----------------

NOTE 3 - CHARITY CARE AND BAD DEBTS

Charges excluded from revenue under the Hospital's charity care policy for patients unable to pay were \$2,377 and \$19,137 for 2000 and 1999, respectively.

NOTE 4 - THIRD-PARTY SETTLEMENTS AND COMPONENTS OF PATIENT ACCOUNTS RECEIVABLE

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to hold this cost to a minimum. Provision for bad debts are recorded as operating expenses on the financial statements.

Estimated third-party settlements for the Medicare and Medicaid programs reflect differences between interim reimbursement and reimbursement as determined by reports filed after the end of each year. Such third-party settlements reflect differences owed to or by the Hospital. The years 1998 through 1999 for Medicare, and 1996 through 1999 for Medicaid remain unsettled at the balance sheet date.

NOTE 4 - THIRD-PARTY SETTLEMENTS AND COMPONENTS OF PATIENT ACCOUNTS RECEIVABLE (Continued)

The Hospital's net patient accounts receivable (unsecured) were concentrated in the following major payor classes:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Federal Government: Medicare	\$ 1,069,767	\$ 732,826
State of Ohio: Medicaid, Workers Compensation	342,011	429,649
Commercial Insurance, Self-Pay and Other	<u>1,780,463</u>	<u>1,950,407</u>
Total	<u>\$3,192,241</u>	<u>\$3,112,882</u>

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment are as follows:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Land Improvement	\$ 298,786	\$ 294,926
Buildings	3,340,453	3,356,673
Fixed Equipment	2,952,017	2,900,338
Major Movable Equipment	3,442,245	3,344,312
Leased Equipment	346,738	345,766
Building Project	<u>87,014</u>	<u>-</u>
Total	10,467,253	10,242,015
Less Accumulated Depreciation	<u>8,491,415</u>	<u>7,990,583</u>
Property, Plant and Equipment - Net	<u>\$1,975,838</u>	<u>\$2,251,432</u>

NOTE 6 - CAPITAL AND OPERATING LEASES

Capital Leases

The Hospital leased certain equipment under non-cancelable capital leases. Following are the net minimum lease payments for these leases:

NOTE 6 - CAPITAL AND OPERATING LEASES (Continued)

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
2001	\$71,737	
2002	62,641	
2003	48,997	
2004	39,776	
2005	19,624	
Thereafter	<u>30,255</u>	
Total Net Minimum Lease Payments	273,030	288,407
Less: Amount Representing Interest	<u>44,484</u>	<u>60,655</u>
Total Capital Lease Obligations	228,546	227,752
Less: Current Portion	<u>53,107</u>	<u>42,729</u>
Long-Term Capital Lease Obligations	<u>\$175,439</u>	<u>\$185,023</u>

Net book value of leased equipment was \$243,893 and \$227,260 at December 31, 2000 and 1999, respectively.

Operating Leases

The Hospital has entered into lease agreements for certain buildings under operating lease terms. Following are the net minimum lease payments for these leases:

2001	\$55,704
2002	25,867
2003	9,804
2004	9,804
2005	9,804
Thereafter	<u>27,778</u>
Total	<u>\$138,761</u>

Total rental expense for operating leases, including those with terms of one month or less, for the years ended December 31, 2000 and 1999 was \$53,924 and \$46,500, respectively, and were included within Other expenses on the Statements of Operations.

NOTE 7 - PENSION PLAN

All full-time employees are required to participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS (7377).

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement, which includes those of the Hospital. The 2000 employer contribution rate for local government employers, including the Hospital, was 10.84% of covered payroll.

Required employer contributions are equal to 100% of the amount billed to each employer, which for the Hospital equaled \$726,078, \$910,948 and \$847,480 for 2000, 1999 and 1998, respectively.

NOTE 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Public Employees Retirement System of Ohio ("PERS") provides postemployment healthcare coverage to age and service retirants with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirements. Health care coverage for disability recipients is available.

A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The following accounting and funding policies are followed by the Ohio PERS for post retirement healthcare benefits as of the System's latest actuarial review performed as of December 31, 2000:

During 1999, the Retirement Board adopted a new calculation method for determining employer contributions applied to Other Postemployment Benefits (OPEB). Under the new method, effective January 1, 1999, employer contributions, equal to 4.3% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The unaudited net assets available for future OPEB payments were \$10,805,500,000 and \$9,870,285,641 for 2000 and 1999, respectively. The Hospital's 2000 actuarially determined and actual employer contributions were 4.3% and 4.2% of covered payroll for the years ended December 31, 2000, and 1999, respectively, which amounted to \$270,075 and \$262,158.

NOTE 9 - MALPRACTICE INSURANCE

At the balance sheet date, the Hospital carried occurrence basis malpractice insurance coverage of \$1,000,000 per claim and \$3,000,000 aggregate, plus excess liability coverage of \$5,000,000.

NOTE 10 - CONCENTRATIONS

Medicare and Medicaid accounted for approximately 57% and 52% of the Hospital's net patient service revenue during 2000 and 1999, respectively.

NOTE 11 - RESTRICTED FUNDS BALANCE

Temporarily restricted funds balance is available for the following purposes:

Johnson Memorial Scholarships Fund	\$40,304	\$40,942
Ruth Lyons Children's Fund	3,635	2,776
Wilson Worthy Fund	<u>7,494</u>	<u>7,321</u>
	<u>\$51,434</u>	<u>\$51,039</u>

The expenditures of restricted funds related to the purchase of gifts and the issuance of scholarships.

NOTE 12 - COUNTY SUBSIDY

During 2000 and 1999, the Hospital received county subsidies to pay part of the Hospital's capital costs and operating expenses. The amount of future subsidies, if any, that will be received from the county is unknown at this time.



VONLEHMAN & COMPANY INC.

250 Grandview Drive, Suite 300
Fort Mitchell, KY 41017-5610
859-331-3300
859-331-4358 fax

Certified Public Accountants and Business Advisors

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

Board of Trustees
Adams County Hospital
West Union, Ohio

We have audited the financial statements of Adams County Hospital as of and for the year ended December 31, 2000, and have issued our report thereon dated February 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Adams County 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 Adams County 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 general purpose financial statements

Board of Trustees
Adams County Hospital
Page Two

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 that we have reported to management of Adams County Hospital, in a separate letter dated February 23, 2001.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 23, 2001

**ADAMS COUNTY HOSPITAL
NONCOMPLIANCE CITATION - OHIO REVISED CODE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

NONE

**ADAMS COUNTY HOSPITAL
STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS**

NONE



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

ADAMS COUNTY HOSPITAL

ADAMS 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
APRIL 26, 2001**