

Wyandot Memorial Hospital

Financial Report
with Additional Information
December 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees & Board of Governors
Wyandot Memorial Hospital

We have reviewed the Independent Auditor's Report of the Wyandot Memorial Hospital, Wyandot County, prepared by Plante & Moran LLP for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted this report 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 Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

May 31, 2001

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Wyandot Memorial Hospital

Contents

Report Letter	1
Consolidated Financial Statements	
Balance Sheet	2-3
Statement of Revenue and Expenses of General Fund	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows of General Fund	6-7
Notes to Financial Statements	8-20
Report Letter	21
Additional Information	
Supplemental Schedule of Gross Patient Service Revenues	22
Supplemental Schedule of Operating Expenses	23
Report Letter on Compliance with Laws and Regulations and Internal Control General Purpose Financial Statements	24

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Independent Auditor's Report

To the Joint Township Hospital Board of Trustees and Hospital Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited the accompanying balance sheet of Wyandot Memorial Hospital as of December 31, 2000, and the related statement of revenue and expenses of general fund and changes in fund balances and cash flows for the year 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. The financial statements of Wyandot Memorial Hospital as of December 31, 1999, were audited by other auditors, whose report dated April 28, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those 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 audits provide a reasonable basis for our opinion.

In our opinion, the 2000 financial statements referred to above present fairly, in all material respects, the financial position of Wyandot Memorial Hospital as of December 31, 2000, and the results of its operations of general fund, changes in its fund balance and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2001, 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 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.



April 2, 2001

Wyandot Memorial Hospital

Balance Sheet

	December 31	
	2000	1999
General Fund Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 1,190,225	\$ 924,685
Short-term investments (Note 2)	3,123,476	819,074
Patient accounts receivable (Note 3)	3,120,193	2,691,833
Inventories	499,525	659,403
Prepaid expenses and other	<u>207,762</u>	<u>133,846</u>
Total current assets	8,141,181	5,228,841
Assets Limited as to Use		
By Board for capital improvements (Note 2)	1,141,940	1,205,365
Under indenture agreement - held by trustee (Note 2)	<u>431,367</u>	<u>297,005</u>
Total assets limited as to use	1,573,307	1,502,370
Long-Term Investments	3,029,516	4,061,872
Property, Plant and Equipment, Net (Note 5)	6,894,723	6,961,863
Other Assets		
Bond issuance costs, net of accumulated amortization 2000 - \$57,225 ; 1999 - \$51,500.	<u>28,611</u>	<u>34,336</u>
Total assets	<u>\$ 19,667,338</u>	<u>\$ 17,789,282</u>
Restricted cash and cash equivalents	<u>\$ 44,748</u>	<u>\$ 43,798</u>

Wyandot Memorial Hospital

Balance Sheet

	December 31	
	2000	1999
General Fund Liabilities and Fund Balances		
Current Liabilities		
Current maturities of bonds payable (Note 6)	\$ 145,000	\$ 145,000
Current maturities of capital lease obligations (Note 6)	160,476	183,190
Accounts payable	335,999	391,263
Accrued payroll	126,340	153,620
Other accrued expenses	491,374	365,647
	<u>1,259,189</u>	<u>1,238,720</u>
Total current liabilities	1,259,189	1,238,720
Bonds Payable (less current maturities) (Note 6)	725,000	870,000
Capital Lease Obligations (less current maturities) (Note 6)	329,729	490,205
General Fund Balance	<u>17,353,420</u>	<u>15,190,357</u>
Total liabilities and fund balance	<u>\$ 19,667,338</u>	<u>\$ 17,789,282</u>
Restricted Fund Balance	<u>\$ 44,748</u>	<u>\$ 43,798</u>

Wyandot Memorial Hospital

Statement of Revenue and Expenses of General Fund

	Year Ended December 31	
	2000	1999
Operating Revenue		
Net patient service revenue (Note 7)	\$ 15,277,624	\$ 12,682,693
Other operating revenue	<u>394,282</u>	<u>310,488</u>
Total operating revenue	15,671,906	12,993,181
Operating Expenses		
Salaries and wages	5,187,546	4,549,054
Employee benefits	1,218,014	1,065,082
Supplies and other	2,669,663	2,207,924
Purchased services	2,991,335	2,670,437
Provision for bad debts	1,064,790	787,121
Depreciation and amortization	975,307	825,363
Insurance	134,151	122,587
Interest	<u>84,316</u>	<u>86,477</u>
Total operating expenses	<u>14,325,122</u>	<u>12,314,045</u>
Income from Operations	1,346,784	679,136
NonOperating Gains		
Income on investments	423,652	404,349
Bond levy income	332,092	340,162
Other - net	<u>60,535</u>	<u>89,535</u>
Total net nonoperating gains	<u>816,279</u>	<u>834,046</u>
Revenue and Gains in Excess of Expenses	<u>\$ 2,163,063</u>	<u>\$ 1,513,182</u>

Wyandot Memorial Hospital

Statement of Changes in Fund Balance

	<u>General Fund</u>	<u>2000</u> <u>Restricted Fund</u>	<u>Total Funds</u>
Balances - January 1, 1999	\$ 13,665,282	\$ 54,565	\$ 13,719,847
Revenue and gains in excess of expenses	1,513,182	-	1,513,182
Transfer to unrestricted	11,893	(11,893)	-
Investment income - restricted fund	<u>-</u>	<u>1,126</u>	<u>1,126</u>
Increase (decrease) in fund balances	1,525,075	(10,767)	1,514,308
Balances - December 31, 1999	15,190,357	43,798	15,234,155
Revenue and gains in excess of expenses	2,163,063	-	2,163,063
Investment income - restricted fund	<u>-</u>	<u>950</u>	<u>950</u>
Increase in fund balances	2,163,063	950	2,164,013
Balances - December 31, 2000	<u>\$ 17,353,420</u>	<u>\$ 44,748</u>	<u>\$ 17,398,168</u>

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund

	Year Ended December 31	
	2000	1999
Cash Flows from Operating and Nonoperating Activities		
Cash received from patients and third-party payors	13,784,474	11,163,038
Cash payments to suppliers for services and goods	(5,638,724)	(5,005,982)
Cash payments to employees for services	(6,432,840)	(5,585,914)
Other operating revenue received	394,282	310,488
Interest paid	(84,316)	(86,477)
Net cash provided by operating and nonoperating activities	<u>2,022,876</u>	<u>795,153</u>
Cash Flows from Investing Activities		
Proceeds from maturities of investments	1,116,010	2,968,789
Purchases of investments	(2,388,056)	(3,878,091)
Increase in assets whose use is limited	(70,937)	(202,952)
Disbursements - restricted funds	-	11,893
Proceeds from sale of assets	-	27,513
Net cash used in investing activities	<u>(1,342,983)</u>	<u>(1,072,848)</u>
Cash Flows from Noncapital and Related Financing Activities		
Donations and other	484,187	493,884
Tax levy income	332,092	340,162
Net cash provided by noncapital and related financing activities	<u>816,279</u>	<u>834,046</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(902,442)	(2,567,875)
Repayment of bonds payable	(145,000)	(145,000)
Payments on capital lease obligations	(183,190)	(106,100)
Net cash used in capital and related financing activities	<u>(1,230,632)</u>	<u>(2,818,975)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	265,540	(2,262,624)
Cash and Cash Equivalents - Beginning of year	924,685	3,187,309
Cash and Cash Equivalents - End of year	<u>\$ 1,190,225</u>	<u>\$ 924,685</u>

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund (Continued)

A reconciliation of income from operations to net cash from operating and non-operating activities is as follows:

	Year Ended December 31	
	2000	1999
Cash Flows from Operating Activities and Nonoperating Gains		
Income from operations	\$ 1,346,784	\$ 679,136
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and nonoperating gains		
Depreciation and amortization	975,307	825,363
Provision for bad debts	1,064,790	787,121
Loss on disposal of property and equipment	-	8,366
Decrease (increase) in patient accounts receivable	(1,493,150)	(1,519,655)
Decrease (increase) in inventories	159,878	(88,165)
Decrease (increase) in prepaid expenses and other	(73,916)	(29,203)
Increase (decrease) in accounts payable	(55,264)	156,349
Increase (decrease) in accrued payroll	(27,280)	28,222
Increase (decrease) in other accrued expenses	125,727	(52,381)
Net cash provided by operating activities and nonoperating gains	<u>\$ 2,022,876</u>	<u>\$ 795,153</u>
Supplemental disclosure of cash flow information:		
Property additions financed through capital leases	<u>\$ -</u>	<u>\$ 613,326</u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 1 - Organization and Summary of Significant Accounting Policies

Organization – Wyandot Memorial Hospital (the Hospital) is an acute care hospital organized in 1950 by residents of Salem, Pitt, Crane and Mifflin Townships. The Hospital is located in Upper Sandusky, Ohio, and is operated by a Joint Township Hospital Board of Trustees made up of twelve members. The Hospital's Board of Trustees elects one member for the Board of Governors from each township and three members are appointed by a probate judge. The Board of Governors consists of a total of seven members who oversee the daily operations of the Hospital.

Basis of Presentation – The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America as recommended in the Audit Guide (Audits of Providers of Health Care Services) published by the American Institute of Certified Public Accountants. The significant accounting policies conform to accounting principles generally accepted in the United States of America for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to the extent that they do not contradict or conflict with GASB pronouncements. The Hospital has elected not to apply FASB statements issued after November 31, 1989.

Cash and Cash Equivalents – Cash and cash equivalents are defined as short-term highly, liquid investments purchased with initial maturities of three months or less. Cash and cash equivalents included in assets limited as to use are not considered cash and cash equivalents for purposes of the statements of cash flows of general funds.

Investments – Investments consist of certificates of deposit.

Inventories – Inventories, consisting of medical and office supplies and pharmaceutical products, are stated at cost, 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 Hospital's Board of Trustees for the replacement, improvement, and expansion of the Hospital's facilities and invested funds restricted in connection with the Hospital's general obligation bonds.

Note 1 - Organization and Summary of Significant Accounting Policies (Cont.)

Property and Equipment – Property and equipment are recorded at cost, or if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life and is computed principally on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Cost of maintenance and repairs are charged to expense when incurred.

Unamortized Bond Issuance Costs – Costs incurred in obtaining long-term bond financing are being amortized over the term of the obligations using the straight-line method.

Compensated Absences – Vacation and sick pay are charged to operations when earned. Earned and unused benefits are recorded as a current liability in the financial statements.

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, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Income from Operations - For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Note 1 - Organization and Summary of Significant Accounting Policies (Cont.)

Charity Care - The Hospital provides care to patients who meet certain 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 net patient service revenue.

Pension Plan - Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Public Employees Retirement System of Ohio (PERS). The Hospital funds pension costs accrued, based on contribution rates determined by PERS.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support.

Federal Income Tax - As a political subdivision, the Hospital is exempt from taxation under the Internal Revenue Code.

Unrestricted and Restricted Funds - Restricted funds represent contributions and bequests whose use is specified by the donor. Restricted gifts and other restricted resources are initially recognized as revenue of the restricted fund and are recognized by the Hospital as direct additions to the general fund in the period in which the expenditures are made for the purpose intended by the donor.

Unrestricted funds represent contributions and bequests upon which donors place no restrictions or that arise as a result of the operation of the Hospital for its stated purpose. Assets limited as to use are not considered to be restricted funds. Unrestricted contributions are included in nonoperating revenue in the statements of revenue and expenses in the period received by the Hospital.

Bond Levy Income - In 1991, a tax levy was passed to provide the Hospital with unrestricted operating funds through 2006. Proceeds from the tax levy have been included in nonoperating gains in the accompanying financial statements.

**Note 1 - Organization and Summary of Significant Accounting Policies
(Cont.)**

New Accounting Pronouncements – In December 1998, GASB issued Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (i.e., donations). The statement addresses the timing of recognition of nonexchange transactions and will be effective for the year ending December 31, 2001. In June 1999, GASB issued Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement establishes new financial reporting requirements for state and local governments, which consist of management’s discussion and analysis and required supplementary information. Management has not completed the process of evaluating the effects these statements will have on its financial position and results of operations when such statements are adopted.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 2 – Deposits and Investments

The Hospital's deposits and investments are composed of the following:

	Cash and Cash Equivalents	Investments	Assets Limited as to Use	Restricted Cash and Cash Equivalents
2000				
Deposits	\$ 1,190,225	\$ -	\$ 612,115	\$ 29,748
Certificates of Deposit	-	6,152,992	961,192	15,000
Total	<u>\$ 1,190,225</u>	<u>\$ 6,152,992</u>	<u>\$ 1,573,307</u>	<u>\$ 44,748</u>
1999				
Deposits	\$ 924,684	\$ -	\$ 587,320	28,798
Certificates of Deposit	-	4,880,946	915,050	15,000
Total	<u>\$ 924,684</u>	<u>\$ 4,880,946</u>	<u>\$ 1,502,370</u>	<u>\$ 43,798</u>

Deposits	2000	1999
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 9,111,266	\$ 7,423,656
Amount of deposits covered by federal depository insurance	<u>400,000</u>	<u>400,000</u>
Amount of deposits uninsured	<u>\$ 8,711,266</u>	<u>\$ 7,023,656</u>

Amounts of deposits not insured by federal depository insurance are collateralized by pools of securities pledged by the depository banks and held in the name of the respective bank.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 2 – Deposits and Investments (Continued)

Assets Limited as to Use - The composition of assets whose use is limited is set forth below. Investments are stated at cost.

	<u>2000</u>	<u>1999</u>
By Board, for capital improvements		
Cash	\$ 8,939	\$ 8,127
Certificates of deposit	961,192	915,050
Money market accounts	<u>171,809</u>	<u>282,188</u>
Total	1,141,940	1,205,365
Held by trustee, under Board Indenture agreements - money market accounts	<u>431,367</u>	<u>297,005</u>
Total	<u>\$ 1,573,307</u>	<u>\$ 1,502,370</u>

Note 3 – Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2000</u>	<u>1999</u>
Total patient accounts receivable	\$ 5,749,193	\$ 4,802,833
Less allowance for:		
Uncollectible accounts	(493,000)	(388,000)
Contractual adjustments	<u>(2,136,000)</u>	<u>(1,723,000)</u>
Net patient accounts receivable	<u>\$ 3,120,193</u>	<u>\$ 2,691,833</u>

Note 4 – Cost Report Settlements

Approximately 50 percent of the Hospital's revenues from patient services are received from the Medicare and Medicaid programs in both 2000 and 1999. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with 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. Some outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. Other outpatient services, including ambulatory surgery, radiology and laboratory services, are reimbursed on an established fee-for-service methodology. Beginning August 1, 2000, reimbursement for all outpatient services is based on a prospectively determined ambulatory payment classification system. However, the Hospital is held harmless under this new pay schedule until July 31, 2003.

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

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 5 - Property, Plant and Equipment

Property and equipment is summarized at December 31, 2000, as follows:

	2000	1999	Depreciable Life-Years
Land and land improvements	\$ 193,080	\$ 193,080	
Buildings and building improvements	7,383,323	7,201,431	15-40
Building service equipment	756,389	756,389	5-20
Major movable equipment	5,232,566	4,622,739	2-25
Major movable equipment - capital leases	<u>892,933</u>	<u>892,933</u>	5
Total	14,458,291	13,666,572	
Less accumulated depreciation	<u>7,563,568</u>	<u>6,704,709</u>	
Property and equipment-net	<u>\$ 6,894,723</u>	<u>\$ 6,961,863</u>	

Depreciation expense totaled \$969,582 and \$819,638 in 2000 and 1999, respectively.

Note 6 - Bonds Payable and Capital Lease Obligations

Debt outstanding at December 31, 2000 and 1999, consists of general obligation bonds for building construction issues. General obligation bonds are direct obligations of the Joint Township Board of Trustees for which its full-faith, credit and resources are pledged and are payable from taxes levied on all property in the Crane, Mifflin, Pitt and Salem Townships. General obligation bonds of \$2,200,000 were issued in January 1991 in connection with the building expansion and renovation project. Such bonds bear interest at 6.3 percent and 6.2 percent in 2000 and 1999, respectively, with annual principal payments of \$145,000 due through December 1, 2006.

The Hospital leases medical equipment, office equipment, furniture and fixtures used in its operations under capital leases, which generally require the Hospital to pay property taxes, insurance and maintenance costs. Such capital leases are due in monthly installments, including interest at rates of 1.87% to 6% through November 2004 and are collateralized by the equipment leased.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 6 – Bonds Payable and Capital Lease Obligations (Continued)

Bonds payable and equipment under capital leases are summarized at December 31, 2000, as follows.

	<u>2000</u>	<u>1999</u>
Crane, Mifflin, Pitt and Salem Joint Township Hospital Improvement Bonds, 1990	\$ 870,000	\$ 1,015,000
Obligations under capital Lease	<u>490,205</u>	<u>673,395</u>
Total	1,360,205	1,688,395
Less: current portion	<u>305,476</u>	<u>328,190</u>
Long-term portion	<u>\$ 1,054,729</u>	<u>\$ 1,360,205</u>

At December 31, 2000, future minimum payments and the present value of net minimum lease payments under capital lease obligations are as follows:

<u>Year</u>	<u>Capital Leases</u>
2001	\$ 169,859
2002	129,260
2003	129,260
2004	81,213
2005	<u>-</u>
Total future minimum payments	509,592
Less amounts representing interest	<u>19,387</u>
Total present value of net minimum lease payments	490,205
Less current portion	<u>160,476</u>
Long-term portion	<u>\$ 329,729</u>

	<u>2000</u>	<u>1999</u>
Cost of equipment under capital lease	\$ 892,933	\$ 892,933
Less accumulated amortization	<u>420,019</u>	<u>239,682</u>
Net carrying amount	<u>\$ 472,914</u>	<u>\$ 653,251</u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2000 and 1999

Note 7 – Net Patient Service Revenue

Net patient service revenue consists of the following:

Revenue:

Inpatient services:

Routine services	\$ 1,980,044	\$ 1,645,190
Ancillary services	5,903,550	4,620,025
Outpatient ancillary services	<u>15,308,472</u>	<u>13,718,579</u>

Total patient revenue	23,192,066	19,983,794
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Revenue deductions:

Provision for contractual allowances	7,662,679	7,220,605
Provision for charity care	251,763	80,496

Total revenue deductions	<u>7,914,442</u>	<u>7,301,101</u>
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Total net patient service revenue	<u>\$ 15,277,624</u>	<u>\$ 12,682,693</u>
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Note 8 – Deferred Compensation Plan

All full-time employees of the Hospital may participate in a deferred compensation plan created by the State of Ohio under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

In 1997 and prior years, all amounts of compensation deferred under a plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights were the sole property of the qualified employer and subject to the claims of the employer's general creditors. Participants' rights under the plan were equal to those of a general creditor of the employer in the amount equal to the fair value of the deferred account for each participant. The deferred compensation assets and an equal liability were included in the financial statements of the employer.

As a result of changes to IRC Section 457 and changes in 1998 at the state level, compensation assets deferred under a plan, all property and rights, and all income attributable to those amounts, property, or rights are held in trust at the state level for the benefit of the participants. The Hospital no longer includes the deferred compensation assets or the related liability in its financial statements.

Note 9 – Defined Benefit Pension Plan

Plan Description - The Hospital contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the PERS Board of Trustees. PERS issues a stand-alone financial report available to the public that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-PERS (7377).

Funding Policy - Plan members are required to contribute 8.50 percent of their annual covered salary, and the Hospital is required to contribute at an actuarially determined rate of annual covered payroll. The rate was 13.55 percent through June 30, 2000 and a rolled-back rate of 8.13 percent from July 1, 2000, to December 31, 2000. The contribution requirement of plan members and the Hospital is established and may be amended by the PERS Board of Trustees. The Hospital's contributions to PERS for the years ended December 31, 2000, 1998 and 1997, were \$541,817, \$604,162, and \$560,175, respectively.

Post-retirement Benefits - Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for local government employer units was 13.55 percent of covered payroll through June 30, 2000 and 8.13 percent of covered payroll from July 1, 2000, to December 31, 2000. Of this amount 4.3 percent was the portion that was used to fund health care throughout the year. The portion of the employer's contribution used to fund post-employment benefits was \$214,939.

Note 10 - Defined Benefit Pension Plan (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

OPEBs 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 active contributing participants during 1999 was 401,339. As of December 31, 1999, the actuarial value of the Retirement System's net assets available for OPEB was \$10,806 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,474 million and \$1,668 million, respectively.

Note 11 – Risk Management

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

The Hospital is insured against medical malpractice claims under an occurrence-based policy, whereby claims are covered if the Hospital was insured during the year that the incident occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in a policy year.

There are pending lawsuits against the Hospital, for which the damages sought by the plaintiffs are not presently established. There is insurance coverage, but it is possible the liability for the lawsuits may exceed the aggregate insurance coverage. Presently, it is not possible to determine the resolution of the lawsuits or amount of liability, if any. The Hospital believes the claims will be settled within insurance limits.

Wyandot Memorial Hospital

Notes To Financial Statements
December 31, 2000 and 1999

Note 12 – Wyandot Health Foundation and Wyandot Health Corporation (Related Parties)

Wyandot Health Foundation, Inc. (the Foundation) was established on June 10, 1985, per authority of the Ohio Revised Code. The Foundation is a nonprofit entity operated for the benefit of Wyandot Memorial Hospital. The Foundation donated cash and equipment on behalf of the Hospital totaling \$0 and \$25,269 for the years ended December 31, 2000 and 1999, respectively, which was recorded by the Hospital as unrestricted gifts. The accompanying financial statements do not include the assets, obligations, revenues or expenses of the Foundation.

Wyandot Health Corporation was established on January 1, 1992, as a subsidiary of the Foundation, to engage in health related activities for the benefit of persons residing in the geographic area served by Wyandot Memorial Hospital. Wyandot Health Corporation formed a partnership with Medserve Corporation, with Wyandot Health Corporation holding a 40% ownership interest. The partnership operates under the name Lifetime Home Medical Equipment and engages in the business of selling and/or renting home medical equipment. Wyandot Memorial Hospital leases on a month to month basis a storeroom to Lifetime Home Medical Equipment at a cost of \$450 per month.

Additional Information

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To the Joint Township Hospital Boards of Trustees and Hospital Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited the financial statements of Wyandot Memorial Hospital for the year ended December 31, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of gross patient service revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial statements of Wyandot Memorial Hospital as of December 31, 1999, were audited by other auditors, whose report dated April 28, 2000, expressed an unqualified opinion on those statements.

Plante & Moran, LLP

April 2, 2001

Wyandot Memorial Hospital

Supplemental Schedule of Gross Patient Service Revenues December 31, 2000

Department	2000 Patient Service Revenue			1999 Total
	In-Patient	Out-Patient	Total	
Laboratory and Pathology	\$ 801,258	\$ 2,887,632	\$ 3,688,890	\$ 3,463,205
Radiology	292,442	1,837,152	2,129,594	1,882,445
Materials Management	964,928	939,129	1,904,057	1,838,202
Pharmacy	1,271,169	1,003,231	2,274,400	1,655,084
Operating Room	728,707	907,212	1,635,919	1,464,665
Medical and Surgical	1,416,430	266,274	1,682,704	1,371,818
Respiratory Therapy	736,130	443,683	1,179,813	967,389
Physician Services Revenue	-	1,058,471	1,058,471	840,706
Emergency Room	148,101	741,531	889,632	824,186
EKG	261,031	847,598	1,108,629	809,223
Emergency Room Physician Fees	106,901	807,374	914,275	804,531
Coronary Care Unit	370,414	128,938	499,352	690,799
Nuclear Medicine	47,716	853,779	901,495	657,018
Physical Therapy	128,462	726,148	854,610	650,424
CT Scan	161,828	640,725	802,553	630,075
Cardiac Rehabilitation	-	283,837	283,837	362,013
MRI	9,524	397,882	407,406	307,700
Anesthesia and CRNA	80,283	166,579	246,862	223,960
Outpatient Clinic	23,997	279,084	303,081	216,127
Obstetrical	111,943	2,374	114,317	111,743
Delivery Room	60,998	41,091	102,089	67,580
Nursery	81,257	-	81,257	66,900
Blood Administration	57,115	19,826	76,941	30,976
EEG	1,760	28,922	30,682	24,353
Other	21,200	-	21,200	22,672
	<u>\$ 7,883,594</u>	<u>\$ 15,308,472</u>	<u>\$ 23,192,066</u>	<u>\$19,983,794</u>
Less amounts considered charity care			(251,763)	(80,496)
Total			<u>\$ 22,940,303</u>	<u>\$19,903,298</u>

Wyandot Memorial Hospital

Supplemental Schedule of Operating Expenses December 31, 2000

Department	2000			1999 Total
	Salaries and Wages	Other Expenses	Total	
Administrative and General	\$ 666,760	\$ 3,609,123	\$ 4,275,883	\$ 3,094,933
Laboratory and Pathology	332,013	666,748	998,761	1,063,108
Emergency Room	278,291	851,071	1,129,362	1,054,558
Physician Services	828,366	474,422	1,302,788	947,167
Operating Room	310,355	824,367	1,134,722	918,613
Medical and Surgical	648,958	192,658	841,616	791,288
Radiology	299,159	244,605	543,764	471,809
Pharmacy	145,771	385,330	531,101	465,067
Dietary	153,473	278,518	431,991	415,444
Nuclear Medicine/MRI	38,719	258,615	297,334	408,593
Plant	95,763	85,889	181,652	336,552
Coronary Care Unit	206,283	78,392	284,675	272,749
Respiratory Therapy	144,846	72,221	217,067	220,597
Physical Therapy	-	243,779	243,779	203,552
Housekeeping	129,948	56,797	186,745	181,605
EKG	92,178	111,163	203,341	174,449
CT Scan	22,492	206,195	228,687	167,601
Medical Records	136,368	39,677	176,045	154,328
Nursing Administration	96,879	29,156	126,035	154,103
Cardiac Rehabilitation	75,120	51,665	126,785	133,230
Outpatient Clinic	116,396	65,598	181,994	130,465
Obstetrical	64,910	35,323	100,233	78,137
Anesthesia and CRNA	-	77,745	77,745	75,675
Materials Management	59,671	28,643	88,314	68,942
Nursery	66,360	13,768	80,128	67,770
Linen	15,481	52,583	68,064	64,365
Labor and Delivery	55,168	16,573	71,741	61,971
Biomedical Engineering	38,896	10,454	49,350	47,128
Blood Administration	-	37,613	37,613	42,002
Social Services	18,553	2,190	20,743	17,608
Industrial Physicals	50,369	25,514	75,883	15,778
EEG	-	11,014	11,014	14,700
Prenatal Education	-	167	167	158
Total	\$ 5,187,546	\$ 9,137,576	\$14,325,122	\$12,314,045

Report Letter on Compliance with Laws and Regulations and Internal Control – General Purpose Financial Statements

To the Joint Township Hospital Board of Trustees and Hospital Board of Governors
Wyandot Memorial Hospital

We have audited the financial statements of Wyandot Memorial Hospital as of and for the year ended December 31, 2000, and have issued our report thereon dated April 2, 2001. 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 Wyandot Memorial Hospital 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 Wyandot Memorial 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 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.

This report is intended solely for the information and use of the Auditor of the State of Ohio, Board of Trustees and Board of Governors of Wyandot Memorial Hospital, and management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

April 2, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WYANDOT MEMORIAL HOSPITAL

WYANDOT 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
JUNE 12, 2001**