

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Basic Financial Statements

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

To the Board of Trustees  
Robinson Memorial Portage County Hospital

We have reviewed the Independent Auditor's Report of the Robinson Memorial Portage County Hospital, Portage County, prepared by KPMG LLP, for the audit period January 1, 2001 through December 31, 2001. 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 Robinson Memorial Portage County Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

October 7, 2002



One Cleveland Center  
1375 E. Ninth Street  
Cleveland, OH 44114-1796

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

The Board of Trustees  
Robinson Memorial Portage County Hospital:

We have audited the financial statements of Robinson Memorial Portage County Hospital (Hospital) as of and for the year ended December 31, 2001, and have issued our report thereon dated March 21, 2002. Our opinion discusses the adoption of the provisions of Governmental Accounting Standards Board Statement No. 34, No. 37, and No. 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Hospital in a separate letter dated March 21, 2002.

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

**KPMG LLP**

March 21, 2002

# ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL

## Table of Contents

	<b>Page</b>
Management Discussion and Analysis, Year Ended December 31, 2001	1
Independent Auditors' Report	10
Balance Sheets, December 31, 2001 and 2000	11
Statements of Revenues, Expenses and Changes in Net Assets Years Ended December 31, 2001 and 2000	12
Statements of Cash Flows, Years Ended December 31, 2001 and 2000	13
Notes to Financial Statements	14

# **ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

## **Management Discussion and Analysis**

For the Year Ended December 31, 2001

The discussion and analysis of Robinson Memorial Portage County Hospital's financial performance provides an overall review of the Hospital's financial activities for the fiscal year ended December 31, 2001. The intent of this discussion and analysis is to provide further information on the Hospital's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Hospital's financial performance.

### **Financial Highlights**

- Total assets increased \$2.6 million over 2000 levels. Total cash and investments on hand increased \$4.9 million over the prior year while net accounts receivable decreased \$1.8 million. Net days revenue in accounts receivable was 53 days at December 31, 2001, compared to 56 days at December 31, 2000.
- Total liabilities decreased \$1.9 million; current liabilities declined approximately \$665,776 and long-term liabilities declined \$1.3 million.
- Additional debt of \$1.6 million for a new state-of-the-art Magnetic Resonance Imaging machine was incurred. The note is for 5 years and carries a 3.95% interest rate.
- The increase in net assets for 2001 was approximately \$4.5 million.

### **Overview of the Financial Statements**

This annual report consists of financial statements and notes to those statements. These statements are organized to present Robinson Memorial Portage County Hospital as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

Robinson Memorial Portage County Hospital (the Hospital), a component unit of Portage County, is organized as a county hospital under provisions of the general statutes of the State of Ohio, requiring no specific articles of incorporation. The Hospital is exempt from federal income taxes.

While the County is empowered to appropriate money from its general fund, from certain state and federal moneys it receives, and, with the approval of the electorate, levy property taxes to support the operation of the Hospital, the Hospital has been self-supporting and receives no County appropriations for its operations.

The Board of Hospital Trustees, appointed by the Board of County Commissioners and the Senior Probate and Common Pleas Judges, is charged with the maintenance, operation, and management of the Hospital, its finances, and staff. The Hospital's primary mission is to provide health care services to the citizens of Portage County and the surrounding area through its acute and urgent care facilities.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

The financial statements include the accounts and transactions of the Hospital, Robinson Memorial Hospital Foundation, Robinson Health Affiliates, Inc., and the Preferred Provider Organization. This Hospital is the sole member of these entities. Investments in affiliations which are not majority owned or controlled by the Hospital (Portage Physician Hospital Organization) are recorded on the equity method of accounting and are included in the balance sheet in other assets. All significant intercompany accounts and transactions have been eliminated in the financial statements.

The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Assets, and of Cash Flows, provide an indication of the Hospital's financial health. The Balance Sheets include all of the Hospital's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other purposes. The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

**Financial Analysis of the Hospital**

Robinson Memorial Portage County Hospital's Net Assets changed from a year ago, *increasing* from \$94.9 million to \$99.4 million. Table 1 provides a summary of the Hospital's Net Assets for 2001 compared to 2000:

**Table 1**  
**Robinson Memorial Portage County Hospital**  
**Net Assets (In Thousands)**

	<b>2001</b>	<b>2000</b>
<b>Assets:</b>		
Current Assets	\$25,053	\$26,035
Assets Whose Use is Limited	72,908	68,230
Other Assets	2,492	2,751
Capital Assets	52,547	53,360
<b>Total Assets</b>	<b>\$153,000</b>	<b>\$150,376</b>
<b>Liabilities:</b>		
Current Liabilities	12,729	13,395
Other Liabilities	2,902	2,996
Long-term Liabilities	37,929	39,091
<b>Total Liabilities</b>	<b>\$53,560</b>	<b>\$55,482</b>
<b>Net Assets:</b>		
Unrestricted	84,488	75,471
Invested in Capital Assets, Net of Related Debt	13,056	17,821
Restricted	1,897	1,602
<b>Total Net Assets</b>	<b>\$99,441</b>	<b>\$94,894</b>

In 2001, the Hospital's cash and investment position increased \$4.9 million over 2000. Much of the increase in cash is attributable to a decrease in accounts receivable and cash provided from operations.

<b>Account</b>	<b>2001</b> <small>(000's)</small>	<b>2000</b> <small>(000's)</small>
Operating Cash	\$6,110	\$5,684
Board Designated Funds	71,588	62,098
Trustee Bond Funds	1,720	6,676
<b>Total Available Cash</b>	<b>\$79,418</b>	<b>\$74,458</b>

The Hospital maintains sufficient cash balances in current assets to cover approximately 20 days of expenses. All excess cash is transferred to the operations excess fund for future needs. The operations excess fund balance at the end of 2001 is \$18 million compared to \$16.6 million at the end of 2000.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

**Capital Assets**

Capital assets decreased from \$53.4 million to \$52.5 million or \$0.8 million. This decrease relates to \$6.2 million in depreciation of the Hospital's assets offset by \$5.4 million in capital additions. The capital additions include a magnetic resonance imaging machine (MRI), pharmacy robot, anesthesia machines, monitors and defibrillators, and a hematology analyzer.

**Debt Administration**

The Hospital has agreed to maintain certain bond covenants on a yearly basis. These covenants include days cash on hand ratio, supplemental rate, report on historical coverage, and a cushion ratio as defined in the bond indenture agreement. Management believes that the Hospital is in compliance with all bond covenants.

Ratio	2001	2000	Covenant
Days cash on hand	232.0	216.5	100.0
Supplemental rate	2.1	2.7	1.5
Historical coverage	2.4	3.0	1.35
Cushion	13.0	11.2	1.5

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

**Revenues and Expenses**

Table 2 shows the changes in revenues and expenses for 2001 compared to 2000.

**Table 2**  
**Robinson Memorial Portage County Hospital**  
**Revenues and Expenses (In Thousands)**

	<b>2001</b>	<b>2000</b>
Net Patient Service Revenue	\$109,566	\$106,597
Other	3,740	4,163
Total Operating Revenue	113,306	110,760
Operating Expenses:		
Salaries & Wages	47,632	45,082
Employee Benefits	13,489	11,024
Supplies and other expenses	23,315	22,859
Professional Fees	7,725	7,360
Utilities	2,053	1,773
Depreciation/Amortization	6,372	6,006
Pharmaceuticals	4,228	4,309
Interest	2,449	2,395
Provision for bad debts	7,368	7,718
Total Operating Expenses	114,631	108,526
Operating Income/(Loss)	(1,325)	2,234
Non-operating Gains	3,995	3,908
Income before other revenues, expenses, gains and losses	2,670	6,142
Change in net unrealized gains and losses on other than trading securities	1,569	2,862
Gifts, grants and bequests	307	304
Increase in net assets	4,546	9,308

**Net Patient Service Revenues**

Compared to 2000, net patient service revenues increased by \$3.0 million or 2.8%.

Gross revenues increased 8.4%, or \$16.4 million. On January 1, 2001, the Hospital implemented a 5% price increase. This price increase accounts for \$9.6 million of additional gross revenues generated by the Hospital. Higher volumes in departments such as Cardiology, Radiology Invasive Lab, Magnetic Resonance Imaging, Nuclear Medicine, Outpatient Surgery, and Endoscopy generated the additional \$6.8 million in gross charges.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

During 2001, the Hospital was faced with several staffing issues including staffing shortages in areas throughout the hospital, including Nursing, Pharmacy, Diagnostic Radiology, CT Scans, and Ultrasound. These shortages required the hospital to limit services in selected areas, particularly CT Scans and Ultrasound.

The Hospital closed two unprofitable service lines during 2001. The Behavioral Health Unit was closed July 1, 2001 due to the inability to recruit sufficient psychiatrists to our service area and continued negative financial performance. Additionally, the Health and Wellness Center was closed September 30, 2001 due to continued negative financial performance. Anticipated savings is approximately \$700,000 to \$800,000 annually.

The Hospital received Federal dollars through the Medicare program only.

**Inpatient Business Activity**

Total patient days reflect a decrease of 999 and the Hospital experienced a lower length of stay for hospital inpatients:

Specialty	2001 Days	2000 Days	% Change
Medical/Surgical	27,306	26,874	1.6%
Mental Health	1,263	2,430	(48.0%)
Critical Care	3,748	3,883	(3.5%)
Pediatrics	453	607	(25.4%)
Obstetrics	<u>2,056</u>	<u>1,894</u>	8.6%
Subtotal	34,826	35,688	2.4%
Newborn	<u>1,576</u>	<u>1,713</u>	(8.0%)
TOTAL	<u>36,402</u>	<u>37,401</u>	(2.7%)

Specialty	2001 LOS	2000 LOS	% Change
Medical/Surgical	5.0	5.0	-
Mental Health	5.7	6.0	(5.0%)
Critical Care	2.0	2.2	(9.1%)
Pediatrics	1.8	2.0	(10.0%)
Obstetrics	<u>2.4</u>	<u>2.3</u>	4.3%
Subtotal	4.0	4.1	(2.4%)
Newborn	<u>2.2</u>	<u>2.2</u>	-
TOTAL	<u>3.9</u>	<u>4.0</u>	(2.5%)

The overall case mix index, which is an overall measure of patient acuity, for the Hospital was 1.01537 in 2001 compared to 1.02970 in 2000.

# ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL

## Management Discussion and Analysis

For the Year Ended December 31, 2001

### Outpatient Business Activity

The Hospital's outpatient business recorded a 5.6% growth net of the overall price increase. Our physician practices recorded a 35% increase in gross revenues, primarily due to the addition of an OB/GYN practice in March 2001 and higher volumes in all outpatient areas.

### Deductions from Revenue

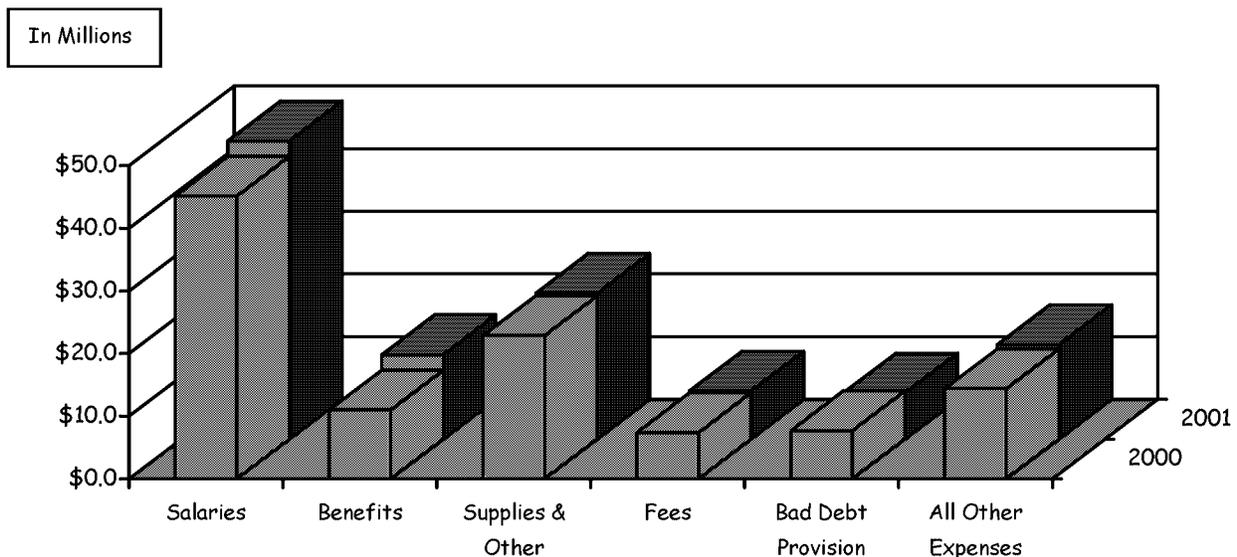
Contractual service adjustments, expressed as a percentage of gross revenues were 47.1% for 2001 compared to 44.8% for 2000, an increase of 2.3%. The increase in contractual service adjustments is due partly to the price increase granted by the Board of Trustees for 2001 in addition to reduced reimbursement from Medicare and Medicaid and changes in negotiated payment rates from third-party insurers.

Charity care is recorded at \$3.7 million in 2001 compared to \$3.2 million in 2000. Charity care is increasing as more patients meet the requirements and definition of charity care. The State of Ohio developed a program in the late 1980's designed to help hospitals deal with the increasing number of low income, special needs patients. The program named the State of Ohio Care Assurance Program is funded through an assessment of Ohio hospitals and matched with federal funds. The entire pool of dollars is then redistributed to all Ohio hospitals with no guarantee that each hospital will receive back its initial assessment. For 2001, the Hospital's Care Assurance distribution to the Hospital was \$1.6 million more than our assessment, compared to \$1.9 million in 2000.

### Operating Expenses

Total operating expenses were \$114.6 million in 2001 compared to \$108.5 million in 2000.

*Operating Expense Comparison*



## **ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

### Management Discussion and Analysis

For the Year Ended December 31, 2001

The largest increases in operating expense over 2000 levels are reflected in salaries and benefits.

#### **Salaries & Wages**

Total Hospital salary & wages increased 5.7% over the prior year levels.

The Hospital and most of Northeast Ohio health care institutions have been faced with the shortage of nurses. In response to the nurse shortage, the hospital implemented a Recruitment and Retention Committee to develop and implement ways of recruiting additional staff and retaining the staff already in place. Several committee recommendations were implemented including an increase in the shift differential for bedside nurses, adding a professional recruiter position, and formalizing a nursing preceptor (mentoring) program.

To remain competitive in our market, the Board of Trustees granted a pay adjustment to all employees effective January 1, 2001. This pay adjustment accounts for approximately 3% of the increase in salaries and wages.

Also, in the first quarter of 2001, a special incentive pay program was introduced to entice patient caregivers to assume additional hours over and above their normal schedule.

During the year, management made several special pay adjustments to certain classes of employees as recruitment and retention issues arose. The special adjustments were awarded to pharmacists, CAT scan technicians, radiology technicians, ultrasonographers, imaging technicians, MRI technicians, and nuclear medicine technicians.

Total FTE's increased across the Hospital by 13.7 during 2001 (from 1,057.8 in 2000 to 1,071.5 in 2001).

#### **Employee Benefits**

Overall, hospital benefit cost rose 22.4% in 2001 as compared to 2000.

Two benefits have increased over the 2000 level. The first is PERS expense (Public Employees Retirement System), which reflects an increase of \$1.6 million or 37.4%. Robinson Memorial Hospital pays 13.55% of total employee salaries into PERS. In 2000, PERS gave employers a 1-time rollback in the matching contribution, which reduced the hospital's cost by approximately \$1.2 million.

The other area of increase is health insurance. Robinson Memorial Hospital is self-insured for health and dental benefits. This cost rose \$935,000 in 2001 over the 2000 level. Increased usage of the benefit by employees and their dependents were the primary reasons for the increase.

#### **Economic Factors and Next Year's Budget**

The Board of Trustees approved the 2002-operating budget at their October 2001 meeting. This budget was developed after a review of key volume indicators and trends seen at other hospitals in Northeast Ohio. The budget incorporated the Hospital's current strategic business plan as well as Portage County economic factors such as estimated population growth and unemployment rates.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Management Discussion and Analysis

For the Year Ended December 31, 2001

The budget provides for income from operations of \$2.3 million, a 2.1% operating margin. Cost containment measures implemented in 2001 such as closing the Behavioral Health Unit and the Health & Wellness Center, as well as other measures slated for implementation in 2002 including re-negotiations of managed care contracts and other expense contracts will contribute to the positive operating results. The 2002 operating budget calls for \$6.2 million excess of revenue and gains over expenses.



One Cleveland Center  
1375 E. Ninth Street  
Cleveland, OH 44114-1796

## Independent Auditors' Report

The Board of Trustees  
Robinson Memorial Portage County Hospital:

We have audited the accompanying balance sheets of Robinson Memorial Portage County Hospital (Hospital), a component unit of Portage County, as of December 31, 2001 and 2000, and the related statements of revenues, expenses, and changes in net assets, 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 auditing standards generally accepted in the United States of America 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 financial statements referred to above present fairly, in all material respects, the financial position of Robinson Memorial Portage County Hospital as of December 31, 2001 and 2000, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, effective January 1, 2000 and 2001, the Hospital adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, and GASB Statement No. 38 – *Certain Financial Statement Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report, dated March 21, 2002 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This 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.

The Management's Discussion and Analysis on pages 1 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

March 21, 2002

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Balance Sheets

December 31, 2001 and 2000

<b>Assets</b>	<b>2001</b>	<b>2000</b>
	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents	\$ 6,110,188	5,684,276
Assets limited as to use – required for current liabilities (notest 4 and 8)	400,163	543,759
Patient accounts receivable, less allowance for estimated uncollectibles of \$2,298,703 in 2001 and \$2,832,886 in 2000	14,831,938	16,660,189
Estimated third-party payor settlements	479,557	—
Supplies and other current assets	3,231,412	3,147,167
Total current assets	<hr/> 25,053,258	<hr/> 26,035,391
Noncurrent assets limited as to use or restricted (notes 4 and 8)	72,907,850	68,229,762
Capital assets, net (note 5)	52,547,269	53,360,210
Other assets	2,492,123	2,750,880
Total assets	<hr/> <hr/> \$ 153,000,500	<hr/> <hr/> 150,376,243
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term debt (note 6)	\$ 2,769,281	2,415,593
Accounts payable	3,444,159	4,318,244
Accrued employee compensation	1,539,753	1,327,046
Accrued employee compensated absences	2,305,155	2,177,548
Accrued expenses	2,670,977	2,442,468
Estimated third-party payor settlements	—	714,202
Total current liabilities	<hr/> 12,729,325	<hr/> 13,395,101
Long-term debt (note 6)	37,929,134	39,090,875
Self-insurance and other liabilities (note 8)	2,901,344	2,995,706
Total liabilities	<hr/> 53,559,803	<hr/> 55,481,682
Commitments and contingencies (notes 3, 7, and 8)		
Net assets:		
Unrestricted	84,488,291	75,470,848
Invested in capital assets, net of related debt	13,055,762	17,821,262
Restricted – by donor for specific uses	1,896,644	1,602,451
Total net assets	<hr/> 99,440,697	<hr/> 94,894,561
Total liabilities and net assets	<hr/> <hr/> \$ 153,000,500	<hr/> <hr/> 150,376,243

See accompanying notes to financial statements.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating revenues:		
Net patient service revenue (notes 2 and 3)	\$ 109,565,955	106,597,485
Other	3,739,677	4,162,531
Total operating revenues	<u>113,305,632</u>	<u>110,760,016</u>
Operating expenses:		
Salaries and wages	47,632,366	45,081,954
Employee benefits (note 7)	13,488,639	11,024,375
Supplies and other expenses	23,315,095	22,859,310
Professional services	7,725,286	7,359,731
Utilities	2,052,966	1,772,851
Pharmaceutical	4,227,416	4,308,846
Depreciation and amortization	6,372,185	6,006,397
Interest	2,448,397	2,394,850
Provision for bad debts	7,368,228	7,718,056
Total operating expenses	<u>114,630,578</u>	<u>108,526,370</u>
Operating (loss) income	(1,324,946)	2,233,646
Nonoperating revenues and expenses:		
Investment and other income, net	3,995,153	3,908,260
Income before other revenues, expenses, gains and losses	2,670,207	6,141,906
Gifts, grants and bequests	307,009	304,271
Change in net unrealized gains and losses	1,568,920	2,861,989
Increase in net assets	4,546,136	9,308,166
Total net assets, beginning of year	<u>94,894,561</u>	<u>85,586,395</u>
Total net assets, end of year	<u>\$ 99,440,697</u>	<u>94,894,561</u>

See accompanying notes to financial statements.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Statement of Cash Flows

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Cash received from patients	\$ 102,928,176	97,900,726
Other cash receipts	3,854,709	4,162,531
Cash payments to suppliers	(38,246,744)	(35,184,299)
Cash payments to employees	<u>(60,780,691)</u>	<u>(55,487,457)</u>
Net cash provided by operating activities	<u>7,755,450</u>	<u>11,391,501</u>
Cash flows from noncapital financing activities:		
Gifts, grants and bequests received	<u>307,009</u>	<u>304,271</u>
Net cash provided by noncapital financing activities	<u>307,009</u>	<u>304,271</u>
Cash flows from capital and related financing activities:		
Purchase of property	(3,766,359)	(8,878,440)
Principal paid on debt	(2,438,138)	(2,332,808)
Interest paid on debt	<u>(2,461,631)</u>	<u>(2,533,789)</u>
Net cash used in capital and related financing activities	<u>(8,666,128)</u>	<u>(13,745,037)</u>
Cash flows from investing activities:		
Investment income	3,995,153	3,908,260
Change in assets limited as to use	<u>(2,965,572)</u>	<u>(1,535,656)</u>
Net cash provided by investing activities	<u>1,029,581</u>	<u>2,372,604</u>
Net increase in cash and cash equivalents	425,912	323,339
Cash and cash equivalents at beginning of year	<u>5,684,276</u>	<u>5,360,937</u>
Cash and cash equivalents at end of year	<u>\$ 6,110,188</u>	<u>5,684,276</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating (loss) income	\$ (1,324,946)	2,233,646
Adjustment to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	6,372,185	6,006,397
Change in provision for uncollectibles	7,368,228	7,718,056
Interest paid	2,461,631	2,394,850
Changes in assets and liabilities:		
Receivables	(5,539,976)	(8,675,491)
Materials and supplies and other current assets	(84,245)	(54,585)
Other assets	95,956	(21,268)
Accounts payable	(874,085)	985,793
Compensated absences	127,607	120,760
Accrued expenses	228,509	609,838
Estimated third-party payor settlements	(1,193,759)	(555,440)
Employee compensation	212,707	498,112
Other liabilities	<u>(94,362)</u>	<u>130,833</u>
Net cash provided by operating activities	<u>\$ 7,755,450</u>	<u>11,391,501</u>

See accompanying notes to financial statements.

# ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL

Notes to Financial Statements

December 31, 2001 and 2000

## (1) Summary of Significant Accounting Policies

### (a) Reporting Entity

Robinson Memorial Portage County Hospital (Hospital), a component unit of Portage County, is organized as a county hospital under provisions of the general statutes of the State of Ohio, requiring no specific articles of incorporation. The Hospital is exempt from federal income taxes. A board of hospital trustees, appointed by the Board of County Commissioners and the Senior Probate and Common Pleas Judges, is charged with the maintenance, operation, and management of the Hospital, its finances, and staff. The Hospital's primary mission is to provide health care services to the citizens of Portage County and the surrounding area through its acute and urgent care facilities.

The accompanying financial statements include the accounts and transactions of the Hospital, Robinson Memorial Hospital Foundation (Foundation), Robinson Health Affiliates, Inc., and the Preferred Provider Organization. The Hospital is the sole member of these entities. These entities were evaluated in accordance with Governmental Accounting Standards Board Statement No. 14. Investments in affiliations which are not majority owned or controlled by the Hospital (Portage Physician Hospital Organization) are recorded on the equity method and are included in the balance sheet in other assets, which amounted to \$108,669 and \$110,207, at December 31, 2001 and 2000, respectively. All significant intercompany accounts and transactions have been eliminated in the financial statements.

### (b) Changes in Accounting Principles

Effective January 1, 2000, the Hospital adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement 34) as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statements Disclosures*. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for capital assets and debt, and the preparation of the Statements of Cash Flows on the direct method. However, such application of these accounting standards had no impact on net assets. Management's decision to adopt Statement 34 was based on Portage County's planned adoption for fiscal year 2001.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the Hospital, certain note disclosures have been added or amended including future debt service and lease obligations, short-term obligations, and interest rates.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

**(c) 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), statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

**(d) Use of Estimates**

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

**(e) Proprietary Fund Accounting**

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and financial statements are prepared using the economic resources measurement focus.

**(f) Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, with the exception of those cash equivalents whose use is limited.

**(h) 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 illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is self-insured for medical malpractice claims (see note 8).

**(i) Statements of Revenues, Expenses, and Changes in Net Assets**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, and are reported as non-operating.

In addition, those items excluded from the income before other revenues, expenses, gains, and losses, include change in net unrealized gains and losses and gifts, grants and bequests.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

**(j) Net Patient Service Revenue**

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

**(k) Restricted Net Assets**

Restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose or to be maintained by the Hospital in perpetuity.

**(l) Investment Income**

Investment income of the self-insurance trust funds and certain bond funds, included in assets limited as to use, is recorded as other revenue and approximated \$541,000 and \$886,000 for the years ended December 31, 2001 and 2000, respectively. All other unrestricted investment income is recorded as nonoperating gains. Investment income and gains (losses) on investments which are part of restricted funds are added to (deducted from) restricted funds.

**(m) Charity Care**

The Hospital provides care without charge to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**(n) Donations, Other Than Cash**

Donated supplies, property and equipment, and investments are recorded at fair market value at date of donation, which is then treated as cost.

**(o) Assets Limited as to Use or Restricted**

Investments set aside for Board-designated purposes for future capital improvements or limited by financing, insurance, or other similar arrangements are considered to be assets limited as to use.

**(p) Concentrations of Credit Risk**

Financial instruments which potentially subject the Hospital to concentrations of credit risk consist principally of cash and cash equivalents and patient accounts receivable.

The Hospital invests its cash and cash equivalents in highly rated financial instruments including insured deposits, uninsured deposits, U.S. Treasury obligations and State Treasury Asset Reserve Funds of Ohio (STAR Ohio). With the exception of U.S. Treasury obligations, there is no significant concentration in one investment or group of similar investments.

## ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL

### Notes to Financial Statements

December 31, 2001 and 2000

The Hospital's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the Hospital's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Revenues from the Medicare program accounted for approximately 29% and 26% of the Hospital's net patient service revenue for the years ended December 31, 2001 and 2000, respectively. Medicaid revenue accounted for approximately 7% and 6% for the years ended December 31, 2001 and 2000, respectively, and Blue Cross revenue accounted for 20% in both years. Excluding Medicare and Blue Cross, no other payor source represents more than 10% of the Hospital's patient accounts receivable. The Hospital maintains an allowance for doubtful accounts based on the expected collectibility of patient accounts receivable.

**(q) Deposits/Investments**

Deposits are collateralized by the depository bank with pledged securities. Including the deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process equals or exceeds the Hospital's carrying value. Collateral is held by the depository bank in the name of the Hospital.

The Hospital's investment policies are governed by state statutes which authorize the Hospital to invest in U.S. government obligations. The Foundation is not governed by state statute and therefore is permitted to invest in equity securities. Investments are categorized to give an indication of the level of risk assumed by the Hospital at year-end. The categorized investments include those which are classified as cash and cash equivalents in accordance with the provisions of GASB Statement No. 9.

GASB Statement No. 3 requires Hospital investments to be categorized to give an indication of the potential for losses associated with the custody of the deposits and investment securities. Category 1 includes deposits or investment securities that are insured, registered, or in the physical possession of the Hospital. Category 2 includes uninsured deposits that are collateralized by securities held in the physical possession of the Hospital's financial institution or its trust department, in the Hospital's name. Category 3 includes uninsured and uncollateralized deposits, or uninsured or unregistered investments held in the physical possession of the Hospital's financial institution, but not in the Hospital's name. STAR Ohio funds are part of the investment fund operated by the Ohio State Treasurer and are unclassified since they are not evidenced by securities that exist in physical or book entry form.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
2001:			
Insured deposits	\$ 253,139	—	253,139
Uninsured deposits	—	561,965	561,965
U.S. Treasury obligations	75,557,808	—	75,557,808
Equity securities	2,002,986	—	2,002,986
Subtotal	\$ <u>72,813,933</u>	<u>561,965</u>	78,375,898
STAR Ohio			1,037,958
Petty cash			4,345
Total cash and investments			\$ <u>79,418,201</u>

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
2000:			
Insured deposits	\$ 226,353	—	226,353
Uninsured deposits	—	441,937	441,937
U.S. Treasury obligations	70,644,343	—	70,644,343
Equity securities	2,262,908	—	2,262,908
Subtotal	\$ <u>73,133,604</u>	<u>441,937</u>	73,575,541
STAR Ohio			878,367
Petty cash			3,889
Total cash and investments			\$ <u>74,457,797</u>

**(r) Supplies**

The inventory of supplies is valued at the lower of cost (determined by the weighted average method) or net realizable value.

**(s) Capital Assets**

Capital assets are stated at cost. Depreciation is provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives, using the straight-line method. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

## ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL

### Notes to Financial Statements

December 31, 2001 and 2000

**(t) Goodwill**

Goodwill amounting to \$1,132,000 and \$1,235,000 at December 31, 2001 and 2000, respectively, is included in other assets. Goodwill relates to the acquisition of Med-Center One, a wholly owned subsidiary of the Hospital, as well as other asset acquisitions. Goodwill is being amortized on a straight-line method over a period of five to twenty-five years.

The Hospital reviews for impairment whenever events or changes in circumstances indicates that the carrying amount of goodwill may not be recoverable under the provisions of Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*.

**(u) Reclassifications**

Certain amounts included in the 2000 financial statements have been reclassified to conform with the 2001 presentation.

**(2) Charity Care**

The Hospital maintains records to identify and monitor the level of direct charity care it provides. For 2001 and 2000, the estimated charges forgone of providing charity care services and supplies were approximately \$3,708,000 and \$3,200,000, respectively.

**(3) Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Inpatient acute care services rendered to Medicare and Medicaid 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. Outpatient services, other than ambulatory surgery, laboratory, and radiology, were paid based upon a reimbursement methodology or a percentage of reasonable cost through July 31, 2000. As a result, final reimbursement for these services will be determined after submission of the Hospital's cost reports and audits by the third-party payors. Effective August 1, 2000, the Medicare program began paying hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the Hospital is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory, are paid based upon prospectively determined fee schedules.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The methods for payment under these agreements include prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

Program examinations of cost reports have been finalized for the Medicare program through 1998 and the Medicaid program through 1999. Provisions for estimated reimbursement adjustments have been provided in the accompanying financial statements.

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory or other legal matters which may have a material adverse effect on the Hospital's financial position or results of operations.

**(4) Assets Limited as to Use or Restricted**

As of December 31, 2001 and 2000, assets limited as to use or restricted, at fair value, have been set aside as follows:

	<u>2001</u>	<u>2000</u>
Board of trustees:		
Funded depreciation and other	\$ 46,166,876	38,543,590
Self-insurance trust	5,611,058	5,374,801
Excess fund	17,961,162	16,587,958
Funds held by trustee under bond indenture	1,720,457	6,675,627
Restricted by donor	<u>1,848,460</u>	<u>1,591,545</u>
Total assets limited as to use or restricted	73,308,013	68,773,521
Less assets limited as to use or restricted – required for current liabilities	<u>400,163</u>	<u>543,759</u>
	<u>\$ 72,907,850</u>	<u>68,229,762</u>

Assets limited as to use or restricted, including cash and cash equivalents, are invested in STAR Ohio, money market accounts, common stocks, and certificates of deposit and are stated at fair value.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

**(5) Capital Assets**

Capital assets consist of the following at December 31, 2001 and 2000:

<u>2001</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,234,993	27,852	—	3,262,845
Construction in progress	—	815,710	—	815,710
Total capital assets, not being depreciated	3,234,993	843,562	—	4,078,555
Capital assets, being depreciated:				
Buildings	46,756,965	958,282	—	47,715,247
Fixed and movable equipment	63,390,785	3,597,677	(1,167,703)	65,820,759
Total capital assets, being depreciated	110,147,750	4,555,959	(1,167,703)	113,536,006
Less accumulated depreciation	60,022,533	6,209,385	(1,164,626)	65,067,292
Total capital assets, being depreciated, net	50,125,217	(1,653,426)	(3,077)	48,468,714
Total capital assets, net	\$ <u>53,360,210</u>	<u>(809,864)</u>	<u>(3,077)</u>	<u>52,547,269</u>

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

<u>2000</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,108,966	126,027	—	3,234,993
Construction in progress	<u>8,778,263</u>	<u>—</u>	<u>(8,778,263)</u>	<u>—</u>
Total capital assets, not being depreciated	<u>11,887,229</u>	<u>126,027</u>	<u>(8,778,263)</u>	<u>3,234,993</u>
Capital assets, being depreciated:	34,709,243	12,047,722	—	46,756,965
Buildings	34,709,243	12,047,722	—	46,756,965
Fixed and movable equipment	<u>58,335,454</u>	<u>5,310,026</u>	<u>(254,695)</u>	<u>63,390,785</u>
Total capital assets, being depreciated	93,044,697	17,357,748	(254,695)	110,147,750
Less accumulated depreciation	<u>54,443,759</u>	<u>5,833,274</u>	<u>(254,500)</u>	<u>60,022,533</u>
Total capital assets, being depreciated, net	<u>38,600,938</u>	<u>11,524,474</u>	<u>(195)</u>	<u>50,125,217</u>
Total capital assets, net	\$ <u><u>50,488,167</u></u>	<u><u>11,650,501</u></u>	<u><u>(8,778,458)</u></u>	<u><u>53,360,210</u></u>

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

**(6) Long-term Debt**

A summary of long-term debt at December 31, 2001 and 2000 is as follows:

	<u>2001</u>	<u>2000</u>
Hospital Revenue Bonds, Series 1999, net of unamortized bond discount of \$226,099 and \$238,838 at December 31, 2001 and 2000, respectively; bearing interest at rates ranging from 4.0% to 5.25% and maturing in varying amounts through 2019	\$ 19,378,900	20,026,162
Hospital Revenue Bonds, Series 1995, net of unamortized bond discount of \$191,799 and \$205,833 at December 31, 2001 and 2000, respectively; bearing interest at rates ranging from 4.5% to 6.5% and maturing in varying amounts through 2015	12,318,201	12,879,167
Hospital Revenue Bonds, Series 1994, bearing interest at rates ranging from 4.85% to 6.5% and maturing in varying amounts through 2007	7,140,000	8,115,000
Notes and other long-term debt	<u>1,861,314</u>	<u>486,139</u>
	40,698,415	41,506,468
Less current portion	<u>2,769,281</u>	<u>2,415,593</u>
	<u>\$ 37,929,134</u>	<u>39,090,875</u>

The Hospital Revenue Bonds, Series 1999 (Series 1999 Bonds) were issued by the County of Portage, Ohio (County) in 1999 for the purpose of providing funds to pay costs of Hospital facilities, including costs of constructing and equipping a new emergency room, improving and renovating the obstetrical department, improving the cardiopulmonary unit, and acquiring, constructing, and equipping certain other Hospital facilities. To secure the payment of Bond Service charges and the performance of their other obligations under the Indenture, the Board of Commissioners and Hospital Trustees have pledged, assigned, and granted a security interest in favor of Bank One, NA (Trustee) in the Net Hospital Receipts and the Special Funds, as defined in the 1999 Indenture. The Hospital is also required to meet certain covenants relating to, among other things, debt service coverage.

The Series 1999 Bonds consist of \$7,190,000 outstanding Serial bonds which mature in increasing amounts from \$660,000 on November 15, 2001 to \$715,000 on November 15, 2009; \$5,650,000 term bonds due November 15, 2014; and \$7,425,000 term bonds due November 15, 2019. Early redemption privileges are available.

The Hospital Revenue Bonds, Series 1995 (Series 1995 Bonds) were issued by the County of Portage, Ohio (County) in 1995 to fund the cost associated with various Hospital construction projects including the construction of an ambulatory surgery center and an outpatient facility. The Series 1995 Bonds were issued on a parity with the County's \$13,110,000 Hospital Revenue Bonds, Series 1994 (Series 1994 Bonds).

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

The Series 1995 Bonds consist of \$3,205,000 outstanding serial bonds which mature in increasing amounts from \$575,000 on November 15, 2001 to \$715,000 on November 15, 2005; \$3,315,000 term bonds due November 15, 2009; and \$6,565,000 term bonds due November 15, 2015. Early redemption privileges are available.

The Series 1994 Bonds were issued in accordance with the requirements of the Trust Indenture dated November 15, 1985 (1985 Indenture). The Series 1994 Bonds constitute special obligations of the County payable solely from a pledge of funds on deposit with the Trustee and Net Hospital Receipts as defined in the 1985 Indenture. Under the provisions of the 1985 Indenture, the Hospital is required to make specific deposits to the Trustee. Monthly deposits into the Bond Fund are made in amounts sufficient to assure the payment of all interest and the redemption of the Bonds as set forth in the preceding paragraphs. The Hospital also is required to meet certain covenants relating to, among other things, debt service coverage.

The Series 1994 Bonds consist of \$4,230,000 outstanding serial bonds which mature in increasing amounts from \$975,000 on November 15, 2001 to \$1,150,000 on November 15, 2004; and \$3,885,000 term bonds due November 15, 2007. Early redemption privileges are available.

At December 31, 2001, the fair value of the bonds of approximately \$41,917,000 exceeded the carrying value of approximately \$38,837,000.

The Hospital entered into a capital lease obligation for the purchase of a magnetic resonance imaging machine. The term of the lease is five years and the implicit rate is 3.95%.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

The following summarizes the outstanding long-term debt as of December 31, 2001 and 2000:

<u>2001</u>	<u>Date of issuance</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending balance</u>	<u>Due within one year</u>
Series 1999	10/1/1999	\$ 20,026,162	—	(647,262)	19,378,900	690,000
Series 1995	9/1/1995	12,879,167	—	(560,966)	12,318,201	605,000
Series 1994	9/1/1994	8,115,000	—	(975,000)	7,140,000	1,025,000
Capital Lease	10/31/2001	—	1,630,085	(49,317)	1,580,768	301,814
Capital Lease	12/11/1998	384,692	—	(121,233)	263,459	130,380
Capital Lease	3/1/1998	101,447	—	(84,360)	17,087	17,087
<u>2000</u>	<u>Date of issuance</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending balance</u>	<u>Due within one year</u>
Series 1999	10/1/1999	\$ 20,598,423	—	(572,261)	20,026,162	660,000
Series 1995	9/1/1995	13,415,133	—	(535,966)	12,879,167	575,000
Series 1994	9/1/1994	9,045,000	—	(930,000)	8,115,000	975,000
Capital Lease	12/11/1998	497,421	—	(112,729)	384,692	121,233
Capital Lease	3/1/1998	181,806	—	(80,359)	101,447	84,360

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

The revenue bond amortization requirements as of December 31, 2001 are as follows:

<u>January 1</u>	<u>Total revenue bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2002	\$ 2,320,000	2,201,036
2003	2,435,000	2,086,863
2004	2,580,000	1,941,548
2005	2,730,000	1,787,061
2006	2,890,000	1,633,365
2007	3,040,000	1,476,946
2008	1,765,000	1,311,955
2009	1,855,000	1,218,082
2010	1,955,000	1,118,457
2011	2,070,000	1,008,097
2012	2,185,000	891,247
2013	2,310,000	767,892
2014	2,440,000	637,482
2015	2,580,000	499,727
2016	1,400,000	350,750
2017	1,480,000	270,250
2018	1,565,000	185,150
2019	1,655,000	95,162
	<u>\$ 39,255,000</u>	<u>19,481,070</u>

**(7) Employee Benefit Plans**

Substantially all of the Hospital's employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer, public employee retirement system. Employer and employee required contributions to PERS are established by the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the fund's actuaries. Required contributions to PERS are used to fund retirement and disability benefits, annual cost-of-living adjustments, death benefits to plan members and beneficiaries, and health care programs. Total required employer contributions made were \$6,013,000 in 2001, \$4,376,000 in 2000 and \$5,383,000 in 1999. Employer contributions represented 13.55% of covered payroll in 2001 and 1999 and for the period January through June 2000, but were temporarily reduced to 8.13% from July through December of 2000. Employee contributions were \$3,743,000 in 2001, \$3,570,000 in 2000 and \$3,398,000 in 1999, or 8.5% of covered payroll. Approximately 95.7% of the contributions as a percentage of covered payroll were used to fund pension obligations; the remaining amounts were used to fund health care programs for retired members.

The Hospital's payroll for employees covered by PERS for the years ended December 31, 2001 and 2000, was approximately \$44,035,000 and \$41,996,000, respectively. The Hospital's total payroll was approximately \$47,632,000 in 2001 and \$45,082,000 in 2000.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

In addition to the pension benefits described above, the Hospital provides postretirement health care coverage to members as specified under the PERS guidelines. The Ohio Revised Code provides statutory authority for employer contributions.

PERS does not make separate measurements of assets and accrued liabilities for individual employers. At December 31, 2000, the most recent data available, the total PERS accrued liability (determined through an actuarial valuation), the net assets available for benefits, and the unfunded actuarial accrued liability based on the actuarial cost method for postretirement health care benefits, in millions of dollars, is presented below:

Accrued postretirement health care liability	\$ 14,364.60
Net assets available for benefits	<u>11,735.90</u>
Unfunded actuarial accrued liability	<u><u>\$ 2,628.70</u></u>

The benefits are advance-financed on an actuarially determined basis. An entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. As of December 31, 2001, there are 411,076 active contributing participants throughout the State of Ohio in this plan. Of the total required Hospital contribution, 4.3% in both 2001 and 2000 was actually made to fund postretirement health care benefits.

**(8) Medical Malpractice Claims**

The Hospital is self-insured for medical malpractice claims subject to certain limitations. Accordingly, the provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Potential losses from asserted and unasserted claims are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of the claim or incident and relevant trend factors. The change in the liability for self-insurance is as follows:

	<u>2001</u>	<u>2000</u>
Beginning balance	\$ 2,799,000	2,953,000
Provision for self-insurance	90,000	(4,000)
Claims paid and other	<u>(103,000)</u>	<u>(150,000)</u>
Ending balance	<u><u>\$ 2,786,000</u></u>	<u><u>2,799,000</u></u>

The Hospital established an irrevocable trust fund, which is included in assets limited as to use or restricted, for the payment of medical malpractice claims settlements. Professional insurance consultants have been retained to assist the Hospital with determining amounts to be deposited in the trust fund.

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

Notes to Financial Statements

December 31, 2001 and 2000

**(9) Compensated Absences**

Hospital employees earn vacation and sick leave at varying rates depending on length of service. Employees can accumulate up to three years of vacation leave. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the Hospital. Upon retirement or death, unused leave balances up to a maximum of 240 hours are paid at varying rates depending on length of service. As of December 31, 2001 and 2000, the liability for unpaid compensated absences was \$2,305,155 and \$2,177,548, respectively.

**(10) Care Assurance**

The Hospital participates in the State of Ohio's Care Assurance Program, which was established in 1988 to assist hospitals that had a disproportionate amount of uncompensated care. Under the program, Ohio hospitals, including the Hospital, are assessed an amount which forms a pool of funds to be matched with federal Medicaid funds for payments to hospitals. Total net revenues to the Hospital under the Care Assurance Program aggregated \$1.6 million and \$1.9 million in 2001 and 2000, respectively. The Hospital records the net proceeds in other revenue as funds are received.



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

**ROBINSON MEMORIAL PORTAGE COUNTY HOSPITAL**

**PORTAGE 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  
DECEMBER 5, 2002