

Wyandot Memorial Hospital

**Financial Report
with Additional Information
December 31, 2001**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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, 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 Wyandot Memorial 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

June 10, 2002

Wyandot Memorial Hospital

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Independent Auditor's Report

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

We have audited the accompanying balance sheets of Wyandot Memorial Hospital as of December 31, 2001 and 2000, and the related statements 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.

We conducted our audits 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. 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 Wyandot Memorial Hospital as of December 31, 2001 and 2000, and the results of operations of its general fund, changes in its fund balances and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2002, 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.

Plante & Moran, LLP

March 28, 2002

Wyandot Memorial Hospital

Balance Sheet

	December 31	
	2001	2000
General Fund Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,091,391	\$ 1,190,225
Short-term investments (Note 2)	3,242,800	3,123,476
Patient accounts receivable (Note 3)	3,018,984	3,120,193
Inventories	414,413	499,525
Prepaid expenses and other	220,939	207,762
Total current assets	9,988,527	8,141,181
Assets Limited as to Use		
By Board for capital improvements (Note 2)	1,334,434	1,141,940
Under indenture agreement - held by trustee (Note 2)	563,610	431,367
Total assets limited as to use	1,898,044	1,573,307
Long-Term Investments	5,088,872	3,029,516
Property, Plant and Equipment, Net (Note 5)	6,376,378	6,894,723
Other Assets		
Bond issuance costs, net of accumulated amortization 2001 - \$57,225; 2000 - \$51,502.	22,888	28,611
Total assets	\$ 23,374,709	\$ 19,667,338
Restricted Cash and Cash Equivalents	\$ 29,399	\$ 44,748

Wyandot Memorial Hospital

Balance Sheet

	December 31	
	2001	2000
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)	123,296	160,476
Accounts payable	363,254	335,999
Accrued payroll	163,629	126,340
Other accrued expenses	581,473	491,374
Total current liabilities	1,376,652	1,259,189
Bonds Payable (less current maturities) (Note 6)	580,000	725,000
Capital Lease Obligations (less current maturities) (Note 6)	206,433	329,729
General Fund Balance	<u>21,211,624</u>	<u>17,353,420</u>
Total liabilities and fund balance	<u>\$ 23,374,709</u>	<u>\$ 19,667,338</u>
Restricted Fund Balance	<u>\$ 29,399</u>	<u>\$ 44,748</u>

Wyandot Memorial Hospital

Statement of Revenue and Expenses of General Fund

	Year Ended December 31	
	2001	2000
Operating Revenue		
Net patient service revenue (Note 7)	\$ 17,554,697	\$ 15,277,624
Bond levy income	318,016	332,092
Other operating revenue	<u>419,054</u>	<u>394,282</u>
Total operating revenue	18,291,767	16,003,998
Operating Expenses		
Salaries and wages	5,879,216	5,187,546
Employee benefits	1,518,228	1,218,014
Supplies and other	3,003,941	2,669,663
Purchased services	3,049,072	2,991,335
Provision for bad debts	489,183	1,064,790
Depreciation and amortization	1,012,994	975,307
Insurance	193,961	134,151
Interest	<u>68,263</u>	<u>84,316</u>
Total operating expenses	<u>15,214,858</u>	<u>14,325,122</u>
Income from Operations	3,076,909	1,678,876
Non-operating Gains		
Income on investments	556,538	423,652
Other - net	<u>208,535</u>	<u>60,535</u>
Total net non-operating gains	<u>765,073</u>	<u>484,187</u>
Revenue and Gains in Excess of Expenses	<u>\$ 3,841,982</u>	<u>\$ 2,163,063</u>

Wyandot Memorial Hospital

Statement of Changes in Fund Balance

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total Funds</u>
Balances - January 1, 2000	\$ 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	<u>2,163,063</u>	<u>950</u>	<u>2,164,013</u>
Balances - December 31, 2000	17,353,420	44,748	17,398,168
Revenue and gains in excess of expenses	3,841,982	-	3,841,982
Transfer to unrestricted	16,222	(16,222)	-
Investment income - restricted fund	<u>-</u>	<u>873</u>	<u>873</u>
Increase (decrease) in fund balances	<u>3,858,204</u>	<u>(15,349)</u>	<u>3,842,855</u>
Balances - December 31, 2001	<u>\$ 21,211,624</u>	<u>\$ 29,399</u>	<u>\$ 21,241,023</u>

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund

	Year Ended December 31	
	2001	2000
Cash Flows from Operating and Nonoperating Activities		
Cash received from patients and third-party payors	\$ 17,166,723	\$ 13,784,474
Cash payments to suppliers for services and goods	(6,057,685)	(5,638,724)
Cash payments to employees for services	(7,360,155)	(6,432,840)
Bond levy income	318,016	332,092
Other operating revenue received	419,054	394,282
Interest paid	(68,263)	(84,316)
Net cash provided by operating and nonoperating activities	4,417,690	2,354,968
Cash Flows from Investing Activities		
Proceeds from maturities of investments	3,850,632	1,116,010
Purchases of investments	(6,029,312)	(2,388,056)
Increase in assets whose use is limited	(149,374)	(46,141)
Disbursements - restricted funds	16,222	-
Net cash used in investing activities	(2,311,832)	(1,318,187)
Cash Flows from Noncapital and Related Financing Activities		
Donations	556,538	423,652
Other	208,535	60,535
Net cash provided by noncapital and related financing activities	765,073	484,187
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(488,926)	(902,442)
Repayment of bonds payable	(145,000)	(145,000)
Payments on capital lease obligations	(160,476)	(183,190)
Net cash used in capital and related financing activities	(794,402)	(1,230,632)
Net Increase in Cash and Cash Equivalents	2,076,529	290,336
Cash and Cash Equivalents - Beginning of year	1,802,340	1,512,004
Cash and Cash Equivalents - End of year	\$ 3,878,869	\$ 1,802,340
Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Cash and cash equivalents in current assets	3,091,391	1,190,225
Cash and cash equivalents in assets whose use is limited	787,477	612,115
Total Cash and Cash Equivalents	\$ 3,878,868	\$ 1,802,340

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund (Cont.)

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

	Year Ended December 31	
	2001	2000
Cash Flows from Operating and Non-Operating Activities		
Income from operations	\$ 3,076,909	\$ 1,678,876
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and nonoperating gains		
Depreciation and amortization	1,012,994	975,307
Provision for bad debts	489,183	1,064,790
Decrease (increase) in patient accounts receivable	(387,974)	(1,493,150)
Decrease (increase) in inventories	85,112	159,878
Decrease (increase) in prepaid expenses and other	(13,177)	(73,916)
Increase (decrease) in accounts payable	27,255	(55,264)
Increase (decrease) in accrued payroll	37,289	(27,280)
Increase (decrease) in other accrued expenses	90,099	125,727
Net cash provided by operating and non-operating activities	<u>\$ 4,417,690</u>	<u>\$ 2,354,968</u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2001 and 2000

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 Directors made up of twelve members. This Board elects one member for the Board of Governors from each township and three members are elected at large from the district, of which one should be a doctor of medicine. 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 30, 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 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 Governors for the replacement, improvement, and expansion of the Hospital's facilities, and invested funds designated by the Joint Township Board of Trustees 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 reported amounts and disclosures in the financial statements. 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 non-operating 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 accumulations 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 non-operating 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 operating revenues in the accompanying financial statements.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2001 and 2000

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
2001				
Deposits	\$ 3,091,391	\$ -	\$ 787,477	\$ 14,399
Certificates of Deposit	-	8,331,672	1,110,567	15,000
Total	\$ 3,091,391	\$ 8,331,672	\$ 1,898,044	\$ 29,399
<hr/>				
2000				
Deposits	\$ 1,190,225	\$ -	\$ 612,115	\$ 29,748
Certificates of Deposit	-	6,152,992	961,192	15,000
Total	\$ 1,190,225	\$ 6,152,992	\$ 1,573,307	\$ 44,748

Deposits	2001	2000
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 13,559,070	\$ 9,111,266
Amount of deposits covered by federal depository insurance	400,000	400,000
Amount of deposits uninsured	\$ 13,159,070	\$ 8,711,266

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, 2001 and 2000

Note 2 – Deposits and Investments (Cont.)

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

	<u>2001</u>	<u>2000</u>
By Board, for capital improvements		
Cash	\$ 25,428	\$ 8,939
Certificates of deposit	1,110,567	961,192
Money market accounts	<u>198,439</u>	<u>171,809</u>
Total	1,334,434	1,141,940
Held by Trustee, under Bond Indenture agreements - money market accounts	<u>563,610</u>	<u>431,367</u>
Total	<u>\$ 1,898,044</u>	<u>\$ 1,573,307</u>

Note 3 – Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2001</u>	<u>2000</u>
Total patient accounts receivable	\$ 5,341,984	\$ 5,749,193
Less allowance for:		
Uncollectible accounts	(485,000)	(493,000)
Contractual adjustments	(1,838,000)	(2,136,000)
Net patient accounts receivable	<u>\$ 3,018,984</u>	<u>\$ 3,120,193</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 2001 and 2000. 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, 2001 and 2000

Note 5 - Property, Plant and Equipment

Property and equipment is summarized at December 31, 2001, as follows.

	2001	2000	Depreciable Life-Years
Land and land improvements	\$ 193,432	\$ 193,080	
Buildings and building improvements	7,436,781	7,383,323	15-40
Building service equipment	758,984	756,389	5-20
Major movable equipment	5,636,636	5,232,566	2-25
Major movable equipment - capital leases	<u>892,933</u>	<u>892,933</u>	5
Total	14,918,766	14,458,291	
Less accumulated depreciation	<u>8,542,388</u>	<u>7,563,568</u>	
Property and equipment - net	<u>\$ 6,376,378</u>	<u>\$ 6,894,723</u>	

Depreciation expense totaled \$1,007,271 and \$969,582 in 2001 and 2000, respectively.

Note 6 - Bonds Payable and Capital Lease Obligations

Debt outstanding at December 31, 2001 and 2000, 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 6.4 and 6.3 percent in 2001 and 2000, 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 2.53% through November 2004 and are collateralized by the equipment leased.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2001 and 2000

Note 6 – Bonds Payable and Capital Lease Obligations (Cont.)

Bonds payable and equipment under capital leases are summarized at December 31, 2001, as follows.

	2001	2000
Crane, Mifflin, Pitt and Salem Joint Township Hospital Improvement Bonds, 1990 Obligations under capital lease	\$ 725,000 <u>329,729</u>	\$ 870,000 <u>490,205</u>
Total	1,054,729	1,360,205
Less: current portion	<u>268,296</u>	<u>305,476</u>
Long-term portion	<u>\$ 786,433</u>	<u>\$ 1,054,729</u>

At December 31, 2001, 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>
2002	\$ 129,260
2003	129,260
2004	<u>81,213</u>
Total future minimum payments	339,733
Less amounts representing interest	<u>10,004</u>
Total present value of net minimum lease payments	329,729
Less current portion	<u>123,296</u>
Long-term portion	<u>\$ 206,433</u>

Cost of equipment under capital lease	\$ 892,933	\$ 892,933
Less accumulated amortization	<u>575,305</u>	<u>420,019</u>
Net carrying amount	<u>\$ 317,628</u>	<u>\$ 472,914</u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2001 and 2000

Note 7 – Net Patient Service Revenue

Net patient service revenue consists of the following.

Revenue	2001	2000
Inpatient services:		
Routine services	\$ 2,300,349	\$ 1,980,044
Ancillary services	7,304,475	5,903,550
Outpatient ancillary services	<u>17,909,436</u>	<u>15,308,472</u>
Total patient revenue	27,514,260	23,192,066
Revenue deductions		
Provision for contractual allowances	9,719,112	7,662,679
Provision for charity care	<u>240,451</u>	<u>251,763</u>
Total revenue deductions	<u>9,959,563</u>	<u>7,914,442</u>
Total net patient service revenue	<u><u>\$ 17,554,697</u></u>	<u><u>\$ 15,277,624</u></u>

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.

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).

Note 9 – Defined Benefit Pension Plan (Cont.)

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 during 2001. 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, 2001, 2000 and 1999, were \$768,500, \$541,817, and \$604,162, respectively. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

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 Post-Employment 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 post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll. 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 \$243,845.

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 2000 was 411,076. As of December 31, 2000, the actuarial value of the Retirement System's net assets available for OPEB was \$11,736 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,365 million and \$2,629 million, respectively.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2001 and 2000

Note 10 – 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. During the last three years claims have not exceeded insurance coverage amounts.

Note 11 – Commitments

As of December 31, 2001, the Hospital had committed to purchase a new CT Scanner at a cost of approximately \$700,000. The purchase will be funded out of operating cash.

Wyandot Memorial Hospital

Notes To Financial Statements
December 31, 2001 and 2000

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 \$51,338 and \$0 for the years ended December 31, 2001 and 2000, 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. Lifetime Home Medical Equipment ceased operations as of May 31, 2001.

Additional Information



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

We have audited the financial statements of Wyandot Memorial Hospital for the years ended December 31, 2001 and 2000. Our audits were 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 audits 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.

Plante & Moran, LLP

March 28, 2002

Wyandot Memorial Hospital

Supplemental Schedule of Gross Patient Service Revenues December 31, 2001

Department	2001 Patient Service Revenue			2000 Total
	In-Patient	Out-Patient	Total	
Laboratory and Pathology	\$ 990,287	\$ 3,187,870	\$ 4,178,157	\$ 3,688,890
Radiology	393,650	2,096,619	2,490,269	2,129,594
Materials Management	1,124,352	1,224,162	2,348,514	1,904,057
Pharmacy	1,539,264	1,466,040	3,005,304	2,274,400
Operating Room	800,187	892,924	1,693,111	1,635,919
Medical and Surgical	1,620,790	231,427	1,852,217	1,682,704
Respiratory Therapy	838,096	316,162	1,154,258	1,179,813
Physician Services Revenue	-	1,126,716	1,126,716	1,058,471
Emergency Room	261,680	1,018,885	1,280,565	889,632
EKG	363,030	1,019,967	1,382,997	1,108,629
Emergency Room Physician Fees	139,905	897,668	1,037,573	914,275
Coronary Care Unit	400,030	56,154	456,184	499,352
Nuclear Medicine	72,763	1,093,886	1,166,649	901,495
Physical Therapy	109,309	737,716	847,025	854,610
CT Scan	253,395	749,178	1,002,573	802,553
Cardiac Rehabilitation	1,812	295,310	297,122	283,837
MRI	29,739	503,175	532,914	407,406
Anesthesia and CRNA	65,351	132,727	198,078	246,862
Outpatient Clinic	43,608	572,811	616,419	303,081
Obstetrical	156,890	-	156,890	114,317
Delivery Room	97,154	46,669	143,823	102,089
Nursery	121,828	-	121,828	81,257
Blood Administration	167,335	60,173	227,508	76,941
EEG	2,763	47,790	50,553	30,682
Durable Medical Equipment	-	135,407	135,407	-
Other	11,606	-	11,606	21,200
	\$ 9,604,824	\$ 17,909,436	\$ 27,514,260	\$ 23,192,066
Less amounts considered charity care			(240,451)	(251,763)
Total			\$ 27,273,809	\$ 22,940,303

Wyandot Memorial Hospital

Supplemental Schedule of Operating Expenses December 31, 2001

Department	2001 Expenses			2000 Total
	Salaries and Wages	Other Expenses	Total	
Administrative and General	\$ 780,095	\$ 3,221,676	\$ 4,001,771	\$ 4,275,883
Laboratory and Pathology	347,825	755,560	1,103,385	998,761
Emergency Room	316,992	873,288	1,190,280	1,129,362
Physician Services	972,335	600,245	1,572,580	1,302,788
Operating Room	322,598	763,190	1,085,788	1,134,722
Medical and Surgical	730,721	243,949	974,670	841,616
Radiology	336,174	268,380	604,554	543,764
Pharmacy	154,510	526,845	681,355	531,101
Dietary	162,259	307,007	469,266	431,991
Nuclear Medicine/MRI	44,580	273,819	318,399	297,334
Plant	102,877	93,835	196,712	181,652
Coronary Care Unit	206,278	84,824	291,102	284,675
Respiratory Therapy	153,980	74,629	228,609	217,067
Physical Therapy	-	221,371	221,371	243,779
Housekeeping	141,724	65,664	207,388	186,745
EKG	105,689	94,763	200,452	203,341
CT Scan	29,622	169,103	198,725	228,687
Medical Records	146,931	62,249	209,180	176,045
Nursing Administration	100,562	37,254	137,816	126,035
Cardiac Rehabilitation	94,980	73,356	168,336	126,785
Outpatient Clinic	158,304	81,418	239,722	181,994
Obstetrical	87,582	56,333	143,915	100,233
Anesthesia and CRNA	-	40,000	40,000	77,745
Materials Management	62,178	33,390	95,568	88,314
Nursery	123,754	20,227	143,981	80,128
Linen	11,833	94,420	106,253	68,064
Labor and Delivery	22,292	14,982	37,274	71,741
Biomedical Engineering	40,555	19,013	59,568	49,350
Blood Administration	-	71,679	71,679	37,613
Social Services	18,997	2,873	21,870	20,743
Industrial Physicals	58,876	36,752	95,628	75,883
EEG	3,110	9,845	12,955	11,014
DME Services	41,003	43,691	84,694	-
Prenatal Education	-	12	12	167
Total	\$ 5,879,216	\$ 9,335,642	\$ 15,214,858	\$ 14,325,122



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

To the Joint Township Hospital Board of Directors 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, 2001, and have issued our report thereon dated March 29, 2002. 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 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Condition - During our testing of compliance with certain laws and regulations, we were unable to obtain evidence that the Hospital published notice in local newspapers stating their financial report for 2000 was available for public inspection at the office of the chief fiscal officer.

Recommendation - Management should publish such notice in all local newspapers within the county area.

Condition - During our testing of compliance with certain laws and regulations, we noted that the Hospital has invested in certificates of deposit which mature in greater than one year without passing a resolution to deem these funds as inactive deposits.

Recommendation - The Board should pass a resolution to deem certificates of deposit with a maturity greater than one year to be inactive deposits.

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; however, a report was issued to management under separate cover regarding internal control issues and other operational efficiencies which we did not 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 Directors and Board of Governors of Wyandot Memorial Hospital, and management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, LLP

March 28, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 25, 2002**