

**ADAMS COUNTY HOSPITAL
WEST UNION, OHIO**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 1999



VONLEHMAN & COMPANY INC.

Certified Public Accountants and Business Advisors

**ADAMS COUNTY HOSPITAL
WEST UNION, OHIO**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 1999

ADAMS COUNTY HOSPITAL

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Adams County Hospital
West Union, Ohio

We have reviewed the Independent Auditor's Report of the Adams County Hospital, Adams County, prepared by VonLehman & Company, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Adams County Hospital is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

May 23, 2000



VONLEHMAN & COMPANY INC.

Certified Public Accountants and Business Advisors

250 Grandview Drive Suite 300
Fort Mitchell, Kentucky 41017-5610

4221 Malsbary Road Suite 102
Cincinnati, Ohio 45242-5502

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Adams County Hospital
West Union, Ohio

We have audited the accompanying balance sheets of Adams County Hospital as of December 31, 1999 and 1998, and the related statements of operations, fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adams County Hospital as of December 31, 1999 and 1998, and the results of its operations, and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2000, on our consideration of Adams County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 25, 2000

**ADAMS COUNTY HOSPITAL
BALANCE SHEETS**

**ASSETS
General Fund**

	December 31,	
	1999	1998
Current Assets		
Cash and Cash Equivalents	\$ 696,033	\$ 129,897
Patient Accounts Receivable, Net of Estimated Uncollectibles (1999-\$1,852,399; 1998-\$1,763,928)	3,023,470	3,175,340
Inventories	183,928	243,611
Prepaid Expenses and Other Assets	115,676	80,808
 Total Current Assets	 4,019,107	 3,629,656
 Cash, Cash Equivalents and Investments Whose Use is Limited		
Board Designated for Future Capital Purposes: Cash and Cash Equivalents	113,434	510,431
 Property, Plant and Equipment, Net (as Restated for 1998)	 2,251,432	 2,669,962
 Total Assets	 \$ 6,383,973	 \$ 6,810,049

Restricted Funds

Specific Purpose Funds		
Cash and Cash Equivalents	\$ 51,039	\$ 52,699

See auditors' report and accompanying notes.

LIABILITIES AND FUND BALANCE
General Fund

December 31,

1999

1998

Current Liabilities

Accounts Payable - Trade	\$ 603,773	\$ 1,244,058
Accrued Expenses	1,175,016	1,633,690
Estimated Litigation Settlement	250,000	250,000
Medicaid Settlement Obligation	-	37,778
Capital Lease Obligations - Current Portion	42,729	73,774
	<u>2,071,518</u>	<u>3,239,300</u>
Total Current Liabilities		

Long-Term Liabilities

Capital Lease Obligations	185,023	228,718
	<u>185,023</u>	<u>228,718</u>

Total Liabilities	2,256,541	3,468,018
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Fund Balance (as Restated for 1998)	4,127,432	3,342,031
	<u>4,127,432</u>	<u>3,342,031</u>

Total Liabilities and Fund Balance	\$ <u>6,383,973</u>	\$ <u>6,810,049</u>
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Restricted Funds

Specific Purpose Funds

Johnson Memorial Scholarship Fund	\$ 40,942	\$ 41,060
Other Funds	10,097	11,639
	<u>51,039</u>	<u>52,699</u>

Total Fund Balances - Specific Purpose Funds	\$ <u>51,039</u>	\$ <u>52,699</u>
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**ADAMS COUNTY HOSPITAL
STATEMENTS OF OPERATIONS -
UNRESTRICTED FUND**

	December 31,			
	1999		1998	
	Amount	Percent	Amount	Percent
Net Patient Service Revenues	\$ 15,972,904	93.5 %	\$ 15,645,051	98.0 %
Other Operating Revenues	1,111,635	6.5	323,829	2.0
Total Operating Revenues	<u>17,084,539</u>	<u>100.0</u>	<u>15,968,880</u>	<u>100.0</u>
Operating Expenses				
Salaries and Benefits	7,624,599	44.6	8,214,813	51.4
Medical Professional Fees	1,189,520	7.0	1,164,920	7.3
Supplies	1,958,390	11.5	2,002,406	12.5
Purchased Services	1,808,053	10.6	1,439,963	9.0
Equipment Rentals	140,885	0.8	159,208	1.0
Repairs and Maintenance	415,405	2.4	449,971	2.8
Utilities	348,986	2.0	375,938	2.4
Depreciation	570,023	3.3	583,939	3.7
Interest	23,577	0.1	29,483	0.2
Provision for Bad Debts	1,753,575	10.3	2,843,530	17.8
Other	461,592	2.7	589,944	3.7
Total Operating Expenses	<u>16,294,605</u>	<u>95.3</u>	<u>17,854,115</u>	<u>111.8</u>
Income (Loss) from Operations	789,934	4.6	(1,885,235)	(11.8)
Non-Operating (Expense) Revenue	(4,533)	-	44,263	0.3
Excess (Deficit) of Revenues Over Expenses	<u>\$ 785,401</u>	<u>4.6 %</u>	<u>\$ (1,840,972)</u>	<u>(11.5) %</u>

See auditors' report and accompanying notes.

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

	1999		1998	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Balance Beginning of Year as Previously Reported	\$ 3,342,031	\$ 52,699	\$ 5,428,620	\$ 51,633
Prior Period Adjustment - Error in Capitalization of Property Plant and Equipment	-	-	(245,617)	-
Balance Beginning of Year as Restated	3,342,031	52,699	5,183,003	51,633
Excess (Deficit) of Revenues Over Expenses	785,401	(1,660)	(1,840,972)	1,066
Balance End of Year	<u>\$ 4,127,432</u>	<u>\$ 51,039</u>	<u>\$ 3,342,031</u>	<u>\$ 52,699</u>

See auditors' report and accompanying notes.

**ADAMS COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS**

	December 31,	
	1999	1998
Cash Flows from Operating Activities		
Income (Loss) from Operations	\$ 789,934	\$ (1,885,235)
Interest Expense Considered in Capital Financing Activity	23,577	29,483
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:		
Depreciation	570,023	583,939
Provision for Bad Debts	1,753,575	2,843,530
Loss on Disposal of Equipment	160,564	(1,500)
Changes in:		
Accounts Receivable	(1,601,705)	(3,111,612)
Inventories	59,683	(3,126)
Prepaid Expenses and Other Assets	(34,868)	48,244
Accounts Payable	(640,285)	601,942
Accrued Expenses	(496,452)	687,430
Net Cash Provided (Used) by Operating Activities	<u>584,046</u>	<u>(206,905)</u>
Cash Flows from Non-Capital Financing Activities		
Non-Operating (Expense) Revenue	(4,533)	44,263
Non-Capital Restricted Contributions	(1,500)	1,500
Expenditures of Restricted Funds	(2,203)	(1,995)
Net Cash (Used) Provided by Non-Capital Financing Activities	<u>(8,236)</u>	<u>43,768</u>
Cash Flows from Capital and Related Financing Activities		
Interest Expense	(23,577)	(29,483)
Acquisition of Property and Equipment	(232,557)	(475,590)
Proceeds from Sale of Equipment	95	1,500
Payments on Capital Lease Obligations	(154,335)	(77,130)
Net Cash Used by Capital and Related Financing Activities	<u>(410,374)</u>	<u>(580,703)</u>
Cash Flows from Investing Activities		
Investments Matured	-	366,879
Investment Income	2,043	45,824
Net Cash Provided by Investing Activities	<u>2,043</u>	<u>412,703</u>
Net Change in Cash and Cash Equivalents	167,479	(331,137)
Beginning Cash and Cash Equivalents	693,027	1,024,164
Ending Cash and Cash Equivalents	<u>\$ 860,506</u>	<u>\$ 693,027</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and Cash Equivalents in Current Assets	\$ 696,033	\$ 129,897
Cash and Cash Equivalents Whose Use is Limited		
Board Designated for Future Capital Purposes	113,434	510,431
Restricted Fund Cash and Cash Equivalents	51,039	52,699
Total Cash and Cash Equivalents	<u>\$ 860,506</u>	<u>\$ 693,027</u>

See auditors' report and accompanying notes.

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

NOTE 1 - ACCOUNTING POLICIES

Adams County Hospital (the Hospital) is a 64 bed facility, owned by Adams County, Ohio and operated by a Board of Trustees as provided for under Ohio Revised Code Section 339. Members of the Board of Trustees are appointed by Adams County Judges and County Commissioners.

Nature of Operations

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

Basis of Accounting

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

Accounting Standards

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

Funds

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

General Fund

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

Restricted Funds

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

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

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

Cash, Cash Equivalents and Investments

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

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

Cash, Cash Equivalents, and Investments Whose Use is Limited

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

Inventories

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

Property and Equipment

Property and equipment is recorded at cost or at fair market value at the date received if acquired by gift. Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the depreciable assets as follows:

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

NOTE 1 - ACCOUNTING POLICIES (Continued)**Lease Agreements**

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

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

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

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Risk Management

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

Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Charity Care

The Hospital provides care to patients who meet criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Legal Requirements

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

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

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

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

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

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

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

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

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

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

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

The State Treasurer's investment pool.

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

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

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

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

At year end, the carrying amount of the Hospital's deposits was \$860,506 and the bank balance was \$1,095,135. Of the bank balance:

\$351,614 was covered by federal depository insurance, thus, would belong in risk category "insured or collateralized"; and

\$743,521 was covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and thus belong in risk category, "uncollateralized".

NOTE 3 - CHARITY CARE AND BAD DEBTS

Charges excluded from revenue under the Hospital's charity care policy for patients unable to pay were \$19,137 and \$27,414 for 1999 and 1998, respectively.

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

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to hold this cost to a minimum. Provision for bad debts of \$1,753,575 and \$2,843,530 for 1999 and 1998, respectively, were recorded as operating expenses on the financial statements.

Estimated third-party settlements for the Medicare and Medicaid programs reflect differences between interim reimbursement and reimbursement as determined by reports filed after the end of each year. Such third-party settlements reflect differences owed to or by the Hospital. The years 1997 through 1998 for Medicare, and 1994 through 1998 for Medicaid remain unsettled at the balance sheet date.

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

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Federal Government: Medicare	\$ 732,826	\$ 1,456,589
State of Ohio: Medicaid, Workers Compensation	429,649	476,491
Commercial Insurance, Self-Pay and Other	<u>1,860,995</u>	<u>1,242,260</u>
Total	<u>\$3,023,470</u>	<u>\$3,175,340</u>

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>1999</u>	<u>(as restated) 1998</u>
Land Improvement	\$ 294,926	\$ 194,378
Buildings	3,356,673	3,361,748
Fixed Equipment	2,900,338	2,726,271
Major Movable Equipment	2,821,812	3,243,918
Leased Equipment	<u>868,266</u>	<u>788,671</u>
Total	10,242,015	10,314,986
Less Accumulated Depreciation	<u>7,990,583</u>	<u>7,645,024</u>
Property, Plant and Equipment - Net	<u>\$2,251,432</u>	<u>\$2,669,962</u>

NOTE 6 - CAPITAL AND OPERATING LEASES

Capital Leases

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

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
2000	\$ 61,891	
2001	55,101	
2002	44,151	
2003	43,335	
2004	39,776	
Thereafter	<u>44,153</u>	
Total Net Minimum Lease Payments	288,407	\$371,455
Less: Amount Representing Interest	<u>60,655</u>	<u>68,963</u>
Leases Payable	227,752	302,492
Less: Current Portion	<u>42,729</u>	<u>73,774</u>
Long-Term Lease Payable	<u>\$185,023</u>	<u>\$228,718</u>

Net book value of leased equipment was \$227,260 and \$334,120 at December 31, 1999 and 1998, respectively.

Operating Leases

During 1998, the Hospital entered into lease agreements for certain buildings under operating lease terms. Following are the net minimum lease payments for these leases:

2000	\$42,900
2001	39,300
2002	16,063
Thereafter	<u> </u>
Total	<u>\$98,263</u>

Total rental expense for operating leases, including those with terms of one month or less, for the years ended December 31, 1999 and 1998 was \$46,500 and \$56,304, respectively.

NOTE 7 - PENSION PLAN

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement, which includes those of the Hospital. The 1999 employer contribution rate for local government employers, including the Hospital, was 13.55% of covered payroll.

Required employer contributions are equal to 100% of the amount billed to each employer, which for the Hospital equaled \$910,948, \$847,480 and \$794,987 for 1999, 1998 and 1997, respectively.

NOTE 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

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

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

The following accounting and funding policies are followed by the Ohio PERS for post retirement healthcare benefits as of the System's latest actuarial review performed as of December 31, 1999:

During 1999, the Retirement Board adopted a new calculation method for determining employer contributions applied to Other Postemployment Benefits (OPEB). Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Expenditures by PERS for OPEB were \$523,599,349 and \$440,596,663 for 1999 and 1998, respectively. As of December 31, 1999, the unaudited estimated net assets

NOTE 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062. The Hospital's 1999 actuarially determined and actual employer contributions were 4.2% of covered payroll for the year ended December 31, 1999, which amounted to \$262,158.

NOTE 9 - MALPRACTICE INSURANCE

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

NOTE 10 - CONCENTRATIONS

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

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing or financing activities in 1999 was as follow:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Assets Acquired Under Capital Lease Obligations	<u>\$79,595</u>	<u>\$75,303</u>

NOTE 12 - RESTRICTED FUND BALANCE

Temporarily restricted fund balance is available for the following purposes:

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

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

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Property, Plant and Equipment and fund balance have been reduced by \$245,618 for the effect of a correction of the misstatement of property, plant and equipment costs. A prior period adjustment on the 1998 financial statements was recorded incorrectly due to a misstatement on the Property, Plant and Equipment detail report. The result was an overstatement of Property, Plant and Equipment and fund balance.

OTHER INFORMATION

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

Board of Trustees
Adams County Hospital
West Union, Ohio

We have audited the financial statements of Adams County Hospital as of and for the year ended December 31, 1999, and have issued our report thereon dated February 25, 2000.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams County Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Board of Trustees
Adams County Hospital
Page Two

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 25, 2000

**ADAMS COUNTY HOSPITAL
NONCOMPLIANCE CITATION - OHIO REVISED CODE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

NONE

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

- 1a. Condition: Certain purchases were not made in accordance with applicable bid procedures as described in Ohio Compliance.
- b. Cause: The Hospital's bidding procedures and purchasing policies are not adhered to when suppliers are limited and timeliness is a factor.
- c. Criteria: Section 749.28 of the Ohio Revised Code states that the Hospital is required to follow the prescribed procedures to ensure proper bidding.
- d. Effect: Noncompliance with Ohio Revised Code.
- e. Status: The Hospital has adopted bid policies that comply with Section 339.05 of the Ohio Revised Code.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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ADAMS COUNTY HOSPITAL

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.

By: Susan Babbitt

Date: JUNE 1, 2000