

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2001 AND 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees and
Board of Governors
Mercer County Joint Township Community Hospital
Coldwater, Ohio

We have reviewed the independent auditor's report of the Mercer County Joint Township Community Hospital, Mercer County, prepared by E.S. Evans and Company, for the audit period April 1, 2000 through March 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 Mercer County Joint Township Community Hospital is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 20, 2001

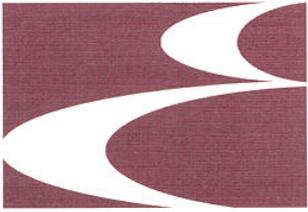
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MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 12, 2001

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Board of Governors
Mercer County Joint Township
Community Hospital
Coldwater, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying balance sheets of Mercer County Joint Township Community Hospital as of March 31, 2001 and 2000, and the related statements of revenues and expenses, statements of changes in fund balance and statements of 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 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 Mercer County Joint Township Community Hospital as of March 31, 2001 and 2000, and the changes in its fund balance and its cash flows 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 August 12, 2001 on our consideration of Mercer County Joint Township Community 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.

E.S. Evans and Company

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

BALANCE SHEETS

<u>ASSETS</u>	March 31,	
	2001	2000
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 367,817	\$ 313,705
Investments	3,543,671	3,442,845
Patient Accounts Receivable - Net of Estimated Uncollectibles of \$202,214 and \$299,301 for 2001 and 2000 respectively	4,408,741	3,754,430
Supplies - Note A	564,629	606,088
Prepaid Expenses	81,845	127,972
Other	30,730	35,161
Total Current Assets	8,997,433	8,280,201
 <u>Plant, Property and Equipment: Net</u>		
(Notes A and D)	12,098,305	11,812,506
 <u>Other Assets:</u>		
Restricted Investment	25,000	25,000
Other	48,555	14,810
Total Other Assets	73,555	39,810
 <u>Total Assets</u>	 \$ 21,169,293	 \$ 20,132,517

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

STATEMENTS OF REVENUES AND EXPENSES

	For the Years Ended March 31,	
	2001	2000
<u>Revenues:</u>		
Net Patient Service Revenue - Note B	\$ 22,843,404	\$ 21,642,053
Other Revenue	226,085	189,982
Total Revenues	23,069,489	21,832,035
Estimated Uncollectibles of \$202,214 and \$299,301 for 2001 and 2000		
Nursing Service	5,817,442	5,852,962
Other Professional Services	5,620,502	5,368,092
General Services	2,623,352	2,221,808
Administrative Services	6,150,986	6,670,988
Provision for Bad Debts	881,141	749,705
Interest	-	1,019
Depreciation and Amortization	1,317,549	1,290,839
Total Expenses	22,410,972	22,155,413
<u>Operating Income/(Loss)</u>	658,517	(323,378)
<u>Non-Operating Income/(Loss):</u>		
Investment Earnings	232,287	210,617
Unrestricted Gifts	38,761	31,134
Total Non-Operating Income	271,048	241,751
<u>Excess/(Deficit) of Revenues over Expenses</u>	\$ 929,565	\$ (81,627)

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

STATEMENTS OF CHANGES IN FUND BALANCE

	<u>General Fund</u>		<u>Restricted Fund</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Balance at Beginning of Year - April 1	\$ 17,012,214	\$ 17,093,841	\$ 25,000	\$ 25,000
Excess/(Deficit) of Revenues				
Estimated Uncollectibles of \$202,214 and \$299,301 for 2001 and 2000	<u>929,565</u>	<u>(81,627)</u>	<u>-</u>	<u>-</u>
Balance at End of Year - March 31	<u>\$ 17,941,779</u>	<u>\$ 17,012,214</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

STATEMENTS OF CASH FLOWS

	For the Years Ended March 31,	
	2001	2000
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Patients	\$ 22,189,093	\$ 22,000,842
Other Operational Revenues	264,846	221,116
Cash Paid to Employees and Suppliers	(20,894,195)	(20,572,542)
Net Cash Provided by Operating Activities	1,559,744	1,649,416
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Property and Equipment	(1,603,348)	(2,386,584)
Principal Paid on Notes and Bonds	-	(21,285)
Interest Paid on Bonds, Leases and Notes	-	(1,019)
Net Cash Used for Capital and Related Financing Activities	(1,603,348)	(2,408,888)
<u>Cash Flows from Investing Activities:</u>		
Interest on Investments	232,287	210,617
(Additional Investment)/Reduction in Investment	(134,571)	(807,947)
Net Cash Provided/(Used) in Investing Activities	97,716	(597,330)
<u>Net Increase/(Decrease) in Cash and Equivalents</u>	54,112	(1,356,802)
<u>Cash and Cash Equivalents at Beginning of Year</u>	313,705	1,670,507
<u>Cash and Cash Equivalents at End of Year</u>	\$ 367,817	\$ 313,705

The accompanying notes are an integral part of these financial statements.

EXHIBIT D
(continued)

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

STATEMENTS OF CASH FLOWS

Reconciliation of Operating Income to
Net Cash Provided By Operating Activities

	For the Years Ended March 31,	
	2001	2000
Excess/(Deficit) of Revenues Over <u>Expenses - Exhibit B</u>	\$ 929,565	\$ (81,627)
Adjustments to Reconcile Revenues and Gains in Excess/(Shortage) of Expenses and Losses to Net Cash Provided by Operating Activities-		
Depreciation	1,317,549	1,290,839
Interest Expense	-	1,019
Interest Income	(232,287)	(210,617)
Changes in Assets and Liabilities -		
(Increase)/Decrease in Receivables	(654,311)	358,789
(Increase)/Decrease in Inventories	41,459	(35,776)
(Increase)/Decrease in Prepays/Other	50,558	(38,860)
Increase/(Decrease) in Payables	(88,360)	133,653
Increase/(Decrease) in Accruals	177,205	188,269
Increase/(Decrease) in Sick Pay Accrual	18,366	15,031
(Increase)/Decrease in Deferred Expense	-	28,696
Total Adjustments	630,179	1,731,043
Net Cash Provided by Operating Activities	\$ 1,559,744	\$ 1,649,416

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest in 2000 was \$1,019 and none paid in 2001

The accompanying notes are an integral part of these financial statements.

EXHIBIT D
(concluded)

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note A - Summary of Significant Accounting Policies

Reporting Entity

The Mercer County Joint Township Community Hospital is a political body and corporation established in 1970 for the purpose of exercising the rights and privileges conferred upon it by law. The Hospital operates under the direction of a ten member board of governors pursuant to the authority of the Joint Township Hospital Board of Trustees with representatives from Butler, Franklin, Gibson, Granville, Marion, Recovery, and Washington Townships. The Joint Township Hospital Board of Trustees provide financial funds to construct new additions to the hospital facilities, and to assure that the board of governors are providing an adequate healthcare facility.

The Hospital provides in-patient, out-patient, and emergency care services for residents of Mercer and nearby counties. Admitting physicians are primarily practitioners in the local area.

Management believes the financial statements included in this report represent all of the funds of the Hospital over which the Hospital has the ability to exercise direct operating control. Activities and balances of the Joint Township Hospital Board of Trustees are also included as part of the accompanying financial statements.

Proprietary Fund Accounting

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

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note A - Summary of Significant Accounting Policies - (continued)

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.

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 the amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for services and supplies furnished under the Hospital's charity care policy aggregated \$ 113,976 and \$69,961 in 2001 and 2000, respectively.

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 amount 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 are adjusted in future periods, as final settlements are determined.

Supplies

Inventories of supplies are stated at the lower of cost or market, cost being determined generally on a first-in, first-out basis.

Property and Equipment

Property and equipment is recorded at cost, or if donated, fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Equipment under capital leases is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance and repairs are charged to expense as incurred.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note A - Summary of Significant Accounting Policies - (continued)

Cost of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Deferred financing costs are amortized over the period the obligation is outstanding.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents includes investments of highly liquid debt instruments with an original maturity of three months or less.

Note B - Patient Service Revenues

The Hospital has agreements with third-party payers that provide for reimbursements to the Hospital at amounts different from its established rates. A summary of the basis of reimbursement with major third-party payers 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. Ancillary outpatient services are paid on both a cost reimbursement and prospective basis. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost report by the Hospital and audits by the Medicare fiscal intermediary.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note B - Patient Service Revenues - (continued)

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective 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's cost reports have been audited through March 31, 1996.

Other

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.

A summary of gross and net patient service revenues for the years ended March 31, 2001 and 2000 follows:

	<u>2001</u>	<u>2000</u>
Gross Patient Revenues	\$ 32,038,918	\$ 30,907,381
Less Provisions for -		
Contractual Adjustments under Third Party Reimbursement Programs	(9,081,538)	(9,195,367)
Charity Care	<u>(113,976)</u>	<u>(69,961)</u>
Net Patient Service Revenue	<u>\$ 22,843,404</u>	<u>\$ 21,642,053</u>

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note C - Deposits and Investments

At March 31, 2001 and 2000, the Hospital's cash and investments, including restricted investments are as follows:

	<u>2001</u>	<u>2000</u>
Cash on Hand	\$ 1,230	\$ 1,080
Demand Deposits	366,587	312,625
Time Deposits-Money Market Deposits	3,543,671	3,442,845
Restricted Fund	<u>25,000</u>	<u>25,000</u>
Totals	<u>\$ 3,936,488</u>	<u>\$ 3,781,550</u>

The Hospital may make deposits with any eligible financial institution as described in Section 135.03 of the Ohio Revised Code. All deposits with financial institutions must be collateralized 100% through individual pledged or pooled securities. The Hospital is also authorized to make direct investments in United States Government and Federal Agencies Obligations.

The financial institutions carrying value of deposits and investments equals the Hospital's carrying value, except for items in transit. The financial institutions carrying values were \$4,311,366 and \$4,107,627 for the years ended March 31, 2001 and 2000, respectively.

The Hospital's deposits and investments are categorized on the following page to provide an indication of the level of risk assumed by the Hospital. Category 1 includes deposits insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes uncollateralized deposits, and any deposit or investment that is a collateralized investment with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name. Unclassified includes Star Ohio, an investment pool operated by the Ohio State Treasurer, since it is not evidenced by securities that exist in physical or book entry form.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note C - Deposits and Investments - (continued)

	2001	2000
<u>Category 1</u>		
Cash on hand and amounts insured by FDIC or FSLIC	\$ 101,230	\$ 101,080
<u>Category 2</u>		
Collateralized with Securities held in Hospital's Name	4,118,155	3,920,260
<u>Unclassified</u>		
Star Ohio	91,981	86,287
Total	\$ 4,311,366	\$ 4,107,627

Note D - Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is determined on a straight-line basis over the estimated useful life of the asset. Following is a summary of cost and accumulated depreciation of property and equipment at March 31, 2001 and 2000.

	2001	2000
Land	\$ 44,300	\$ 44,300
Buildings and Improvements	14,974,111	14,762,488
Community Medical Center	3,888,574	2,937,180
Construction in Progress	791,021	1,171,456
Equipment	9,416,396	8,892,701
Parking Lot	213,345	213,345
Total	29,327,747	28,021,470
Less: Accumulated Depreciation	(17,229,442)	(16,208,964)
Net Property and Equipment	\$ 12,098,305	\$ 11,812,506

Depreciation expense for the years ended March 31, 2001 and 2000 amounted to \$1,317,549 and \$1,290,839, respectively.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note E - Public Employees Retirement System

The Hospital contributes to 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. Authority to establish and amend benefits is provided by statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System 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.

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 \$1,009,066 in 2001, \$1,282,913 in 2000 and 1,249,225 in 1999. Employer contributions represented 13.55% of covered payroll in 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 \$805,937 in 2001, \$801,807 in 2000 and 780,605 in 1999, or 8.5% of covered payroll. Approximately 95.7% of the contributions as a percentage of covered payrolls were used to fund pension obligations; the remaining amounts were used to fund health care programs for retired members.

The Hospital's total payroll for employees covered by PERS for the years ended March 31, 2001, 2000 and 1999, was approximately \$9,714,800, \$9,977,400 and \$9,276,200, respectively.

Employees may retire at or after age 60 with five years of credited service. Participants in PERS are entitled to a retirement benefit, payable monthly for life, equal to 2.1% of their final salary for each year of credited service; final average salary is defined as the employee's average salary over the highest three years of credited service. Benefits fully vest upon reaching five years of credited service. Vested employees may retire at any age with 30 years of service, at age 60 with minimum of five years of credited service, and at age 55 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or earlier than age 65 receive reduced retirement benefits. PERS also provides death and disability benefits. The Ohio Revised Code establishes benefits.

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.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note E - Public Employees Retirement System – (continued)

PERS does not make separate measurements of assets and accrued liabilities for individual employers. At December 31, 1999, the most recent data available, the 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	\$	12,473.6
Net assets available for benefits		<u>10,805.5</u>
Unfunded actuarial accrued liability	\$	<u>1,668.1</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, 2000, there are 401,339 active contributing participants throughout the State of Ohio in this plan. Of the total required Hospital contribution, 4.3% in 2001, 2000 and 1999 was actually made to fund postretirement health care benefits.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note F - Accumulated Unpaid Vacation and Sick Leave

Hospital employees earn vacation at varying rates based upon their length of service. The length of service is calculated from the starting date (hire date) of employment and is pro-rated on the basis of a forty hour work week. Upon termination of employment an employee will be paid for any vacation time earned but not used, provided that the employee was employed for at least a year and terminates in good standing. For the years ended March 31, 2001 and 2000 the accrued vacation was \$709,484 and \$691,964, respectively.

Employees are permitted to accrue unlimited sick leave. Generally, sick days may be paid to an employee upon termination but is limited to a maximum 160 hours. Hours accumulated over 160 hours may only be used by future absences from illness. The accrued sick leave of \$568,603 and \$550,237 represents only those employees' sick hours up to the maximum of 160 hours at March 31, 2001 and 2000, respectively. Employees not meeting the years of service were accrued at an estimated expected liability.

Note G - Malpractice Cost

The Hospital has malpractice insurance coverage of \$1,000,000 for each medical incident and \$3,000,000 aggregate, and \$3,000,000 excess coverage with the St. Paul Insurance Company on a claims made policy.

Claims alleging malpractice have been asserted against the Hospital and are currently in various states of litigation. No claims have been filed requesting damages in excess of the amount covered by malpractice insurance. It is the opinion of management that any potential losses will be covered by their malpractice insurance. Additional claims may be asserted against the Hospital arising from services provided to patients through March 31, 2001. The Hospital is unable to determine the ultimate cost of the resolution of such potential claims and, accordingly, no accrual has been made for them.

Note H - Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

Total rental expense for the years ended March 31, 2001 and 2000 was approximately \$160,000 and \$125,000, respectively.

There were no capital future lease payments at March 31, 2001 or 2000.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note I - Self-Insured Medical Plan

The Hospital established a program to provide health and accident coverage for its employees and their families. The Hospital has commercial insurance coverage for costs exceeding \$75,000 per covered person and a \$1,543,600 aggregate medical costs per year. Therefore, the Hospital's exposure to loss is limited to these amounts.

The employees health and accident program activity for the years ended March 31, 2001 and 2000 is as follows:

	2001	2000
Estimated Liability at Beginning of Year	\$ 241,080	\$ 199,540
Claims and Expense Accrued During Years	1,157,108	1,309,863
Claims, Insurance Premiums and Administration Costs Paid	(1,136,783)	(1,268,323)
Estimated Liability at End of Year	\$ 261,405	\$ 241,080

The unpaid claims and future claims management estimated liability at March 31, 2001 and 2000.

Note J - Fair Values of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount reported in the balance sheet for cash and cash equivalents is fair value.

MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
COLDWATER, OHIO

NOTES TO FINANCIAL STATEMENTS

March 31, 2001 and 2000

Note J - Fair Values of Financial Instruments - (continued)

Deposits and Investments

These assets include certificates of deposit and money market funds which are reported on the balance sheet at fair value.

Accounts Payable and Accrued Expenses

The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates their fair value.

Other Liabilities

The carrying value of other liabilities approximates its fair values.

The carrying amounts of the Hospital's financial instruments at March 31, 2001 and 2000 are as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Equivalents	\$ 367,817	\$ 367,817	\$ 313,705	\$ 313,705
Deposits and Investments	3,543,671	3,543,671	3,442,845	3,442,845
Accounts Payable and Accrued Expense	3,202,514	3,202,514	3,095,303	3,095,303

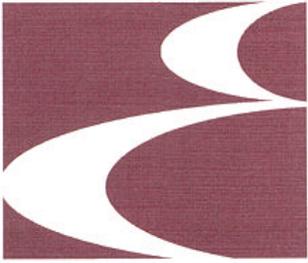
Note K - Concentration of Credit Risks

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party agreements. The mix of receivables from patients and third-party payers at March 31, 2001 and 2000 was as follows:

	2001	2000
Medicare	37%	34%
Medicaid	4%	4%
Other Insure's	44%	43%
Patients	15%	19%
	100%	100%

Note L - Restricted Fund

The Restricted Fund consists of \$25,000 which the donors have placed restrictions on its use. Interest earned on this fund is unrestricted.



E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 12, 2001

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Board of Governors
Mercer County Joint Township
Community Hospital
Coldwater, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of Mercer County Joint Township Community Hospital as of and for the year ended March 31, 2001, and have issued our report thereon dated August 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mercer County Joint Township Community 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.

Board of Trustees
Board of Governors
Mercer County Joint Township Community Hospital
Auditor of State of Ohio
August 12, 2001
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mercer County Joint Township Community 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 that we consider to be material weaknesses.

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

A handwritten signature in red ink, appearing to read "E. J. ... and ...".



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

MERCER 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
NOVEMBER 27, 2001**