

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY  
HOSPITAL**

**March 31, 2003**

*CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Joint Township Community Hospital of Mercer County  
800 West Main Street  
Coldwater, Ohio 45828

We have reviewed the Independent Auditor's Report of the Joint Township Community Hospital of Mercer County, Mercer County, prepared by VonLehman & Company, Inc., for the audit period April 1, 2002 through March 31, 2003. 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 Joint Township Community Hospital of Mercer County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 21, 2003

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MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Mercer County Joint Township Community Hospital

We have audited the accompanying consolidated balance sheets of Mercer County Joint Township Community Hospital as of March 31, 2003 and 2002, 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 U.S. 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 consolidated 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, 2003 and 2002, and the results of its operations, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2003, 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 audits.

VonLehman and Company Inc.

Fort Mitchell, Kentucky  
July 18, 2003

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**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
CONSOLIDATED BALANCE SHEETS**

**ASSETS**

**General Fund**

	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,283,064	\$ 823,977
Patient Accounts Receivable, Net of Estimated Uncollectibles (2003 - \$401,516; 2002 - \$375,391)	4,858,788	4,733,193
Inventories	734,415	623,112
Prepaid Expenses	276,477	122,347
Other Receivable	-	26,587
 Total Current Assets	 7,152,744	 6,329,216
 <b>Cash, Cash Equivalents and Investments Whose Use is Limited</b>		
Board Designated for Future Capital Purposes: Cash and Cash Equivalents	4,230,843	3,368,825
 <b>Property, Plant and Equipment, Net</b>	 11,368,823	 11,821,173
 <b>Other Assets - Investment in Joint Venture</b>	 223,366	 223,366
 <b>Total Assets</b>	 \$ 22,975,776	 \$ 21,742,580

**Restricted Funds**

<b>Specific Purpose Funds</b>		
Cash and Cash Equivalents	\$ 25,000	\$ 25,000

See accompanying notes.

**LIABILITIES AND FUND BALANCE**

**General Fund**

	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,132,469	\$ 848,156
Accrued Expenses	<u>2,192,246</u>	<u>2,066,770</u>
Total Current Liabilities	<u>3,324,715</u>	<u>2,914,926</u>
<b>Fund Balances</b>		
Unrestricted	<u>19,651,061</u>	<u>18,827,654</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u><u>22,975,776</u></u>	\$ <u><u>21,742,580</u></u>

**Restricted Funds**

<b>Specific Purpose Funds</b>	\$ <u><u>25,000</u></u>	\$ <u><u>25,000</u></u>
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**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
CONSOLIDATED STATEMENTS OF OPERATIONS**

**General Fund**

	<b>Years Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Net Patient Service Revenues</b>	\$ 27,331,496	\$ 26,630,700
<b>Other Operating Revenues</b>	1,241,906	290,414
Total Operating Revenues	28,573,402	26,921,114
<b>Operating Expenses</b>		
Nursing Service	6,684,379	6,195,875
Medical Professional Services	7,084,286	6,207,781
General Services	2,832,569	2,666,735
Administrative Services	9,095,944	8,804,361
Depreciation	1,316,343	1,279,945
Provision for Bad Debts	817,076	1,007,759
Total Operating Expenses	27,830,597	26,162,456
Income from Operations	742,805	758,658
<b>Non-Operating Income</b>		
Investment Earnings	52,962	122,936
Unrestricted Gifts	27,640	4,281
Total Non-Operating Income	80,602	127,217
<b>Excess of Revenues Over Expenses</b>	\$ 823,407	\$ 885,875

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
CONSOLIDATED STATEMENTS OF CHANGES IN FUND BALANCES**

	<u>2003</u>		<u>2002</u>	
	<u>General Fund</u>	<u>Restricted Funds</u>	<u>General Fund</u>	<u>Restricted Funds</u>
<b>Balance Beginning of Year</b>	\$ 18,827,654	\$ 25,000	\$ 17,941,779	\$ 25,000
<b>Excess of Revenues Over Expenses</b>	<u>823,407</u>	<u>-</u>	<u>885,875</u>	<u>-</u>
<b>Balance End of Year</b>	<u>\$ 19,651,061</u>	<u>\$ 25,000</u>	<u>\$ 18,827,654</u>	<u>\$ 25,000</u>

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended March 31,	
	2003	2002
<b>Cash Flows from Operating Activities</b>		
Income from Operations	\$ 742,805	\$ 758,658
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	1,316,343	1,279,945
Loss on Disposal of Property, Plant and Equipment	4,713	-
Changes in:		
Patient Accounts Receivable	(125,595)	(324,452)
Inventories	(111,303)	(58,483)
Prepaid Expenses and Other Receivable	(127,543)	(36,359)
Accounts Payable	284,313	(332,297)
Accrued Expenses	125,476	44,709
	2,109,209	1,331,721
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of Property, Plant and Equipment	(868,706)	(1,002,813)
<b>Cash Flows from Investing Activities</b>		
Non-Operating Income	80,602	127,217
Change in Cash and Cash Equivalents Whose Use is Limited	(862,018)	174,846
Other Assets - Investment in Joint Venture	-	(174,811)
	(781,416)	127,252
<b>Net Cash (Used) Provided by Investing Activities</b>		
<b>Net Change in Cash and Cash Equivalents</b>	459,087	456,160
<b>Beginning Cash and Cash Equivalents</b>	823,977	367,817
<b>Ending Cash and Cash Equivalents</b>	\$ 1,283,064	\$ 823,977

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ACCOUNTING POLICIES**

Mercer County Joint Township Community Hospital (the Hospital) is a 76-bed facility, located in Mercer County, Ohio and operates under the direction of an eleven 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, Washington and Jefferson Townships. The Medical and Educational Development Foundation (MEDF) Physician Corporation is a not for profit, non-governmental entity. MEDF manages physician practices. The Hospital is deemed to have control over MEDF. The financial statements of MEDF have been consolidated with the Hospital's financial statements. All material intercompany balances and transactions have been eliminated in the consolidation.

**Nature of Operations**

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

**Basis of Accounting**

The Hospital utilizes the proprietary fund method of accounting whereby revenues 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) that do not conflict with or contradict GASB pronouncements, including those issued after November 30, 1989.

**Funds**

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 U.S. 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 and Cash Equivalents**

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.

For cash flow purposes, cash and cash equivalents are defined as those unrestricted and undesignated funds on deposit which have maturities of three months or less.

**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, Plant and Equipment**

Property, plant and equipment is recorded at cost or at fair market value at the date received if acquired by gift. It is the Hospital's policy to capitalize acquired property, plant and equipment with a cost or fair market value of \$500 or greater. 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	2 - 20 Years

**Compensated Absences**

Vacation and sick pay is expensed to operations when earned. Unused and earned benefits are recorded as a current liability in the financial statements.

**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:

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

*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 are paid at a prospectively determined rate per day based on clinical, diagnostic and other factors. Outpatient services are reimbursed on a prospective rate scale based on Ambulatory Patient Classifications (APC's). Home Health Services are reimbursed on a prospective basis for episodes of care spanning 60 days. There are exceptions which could adjust the 60-day payment period. The payment rates are based on a clinical assessment system called OASIS (the Outcome and Assessment Information Set). Final settlements are determined upon submission of the annual cost report by the Hospital and audits thereof by the Medicare Fiscal Intermediary.

*Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a rate per discharge basis. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fee schedule basis. Inpatient capital costs are reimbursed at a tentative rate with a final settlement to be determined after submission of the annual cost report 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 include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**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.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

**Legal Requirements**

State 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. 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 instruments;



**NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**

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

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 they are made through eligible institutions mentioned in Section 135.32 of the Ohio Revised Code;

The State Treasurer's investment pool.

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 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).

As of March 31, 2003 and 2002, the carrying amount of the Hospital's deposits was \$5,538,907 and \$4,217,802, respectively, and the bank balance was \$5,649,394 and \$4,797,940, respectively. Of the bank balance:

At March 31, 2003 and 2002, \$200,000 and \$194,915, respectively, was covered by federal depository insurance and would belong in the risk category "insured or collateralized"; and

At March 31, 2003 and 2002, \$5,449,394 and \$4,603,025, respectively, was covered by collateral held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and belongs in the risk category "uncollateralized".

**NOTE 3 – 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.

**NOTE 4 – 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. Provisions for bad debts are recorded as operating expenses on the financial statements.

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

	2003	2002
Federal Government: Medicare	\$ 1,120,280	\$ 1,022,400
State of Ohio:		
Medicaid, Workers Compensation	429,849	430,816
Commercial Insurance, Self-Pay and Other	3,308,659	3,279,977
Total	\$ 4,858,788	\$ 4,733,193

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT**

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

	March 31,	
	2003	2002
Land	\$ 44,300	\$ 44,300
Building and Improvements	15,997,002	15,968,264
Community Medical Center	4,005,264	3,992,565
Equipment	10,633,364	9,966,523
Parking Lot	213,345	213,345
Construction in Progress	110,701	37,518
Total	31,003,976	30,222,515
Less Accumulated Depreciation	(19,635,153)	(18,401,342)
Property, Plant and Equipment, Net	\$ 11,368,823	\$ 11,821,173

**NOTE 6 – OTHER ASSETS – INVESTMENT IN JOINT VENTURE**

The Hospital is a member of the West Central Ohio Regional Healthcare Alliance, Ltd. (WCORHA) along with four other area hospitals. Each hospital owns a 20% interest. The current project of the WCORHA is the construction of a cancer center. The investment in WCORHA is accounted for using the equity method, and is carried at cost, adjusted for the Hospital's proportionate share of the investee's net income.

**NOTE 7 – RESTRICTED FUND BALANCES**

These funds represent donor-restricted contributions. Interest earned on these funds is unrestricted.

**NOTE 8 – OPERATING LEASES**

The Hospital has entered into lease agreements for certain buildings under operating lease terms. The following are the net minimum lease payments for these leases:

2004	\$ 69,882
2005	61,238
2006	58,730
2007	51,820
2008	<u>51,820</u>
Total	\$ <u>293,490</u>

Total rental expense for operating leases, for the years ended March 31, 2003 and 2002 was approximately \$137,000 and \$147,000, respectively.

**NOTE 9 – PENSION PLAN**

The Hospital participates in a state pension plan, the Ohio Public Employees Retirement System (OPERS), which covers substantially all employees.

The OPERS plan is a cost sharing, multiple employer, defined benefit, public employee retirement plan. It provides retirement, disability and death benefits to plan members and beneficiaries. The OPERS plan also provides health care benefits to vested retirees. Benefits provided under the plan are established by State Statute.

The plan issues a separate, publicly available financial report that includes a balance sheet and required supplementary information. This report may be obtained by contacting: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 42315, Telephone 1-800-222-7377.

The Ohio Revised Code provides OPERS statutory authority for employer and employee contributions. The required, actuarially-determined contribution rates for the Hospital and for the employee are 13.55% and 8.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years were as follows:

<u>Year</u>	<u>Contribution</u>
2003	\$ 1,567,940
2002	1,457,194
2001	1,009,066

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

In addition to the pension benefits described above, OPERS also provides post-retirement health care coverage, commonly referred to as OPEB (Other Post-Employment Benefits). The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions.

OPERS provides post-retirement health care coverage to age and service retirants and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The 2002 employer rate for employees' coverage by OPERS was 13.55%, of which 5.0% was used to fund health care.

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

OPEB are financed through employer contributions and investment earning 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.

OPEB are advanced-funded on an actuarially-determined basis. The number of active contributing participants at December 31, 2001 was 402,041. The actuarial value of the net assets available for OPEB at the most recent actuarial review performed December 31, 2001 was \$11,600,000,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16,400,000,000 and \$4,800,000,000, respectively, as of December 31, 2001. The actuarial assumptions used to calculate these amounts are as follows:

- Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.
- Investment Return – The investment assumption rate for 2003 was 8.00%.
- Active Employee Total Payroll – An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.50% to 6.30%.
- Health Care – Health care costs were assumed to increase 4.00% annually.

**NOTE 11 – MALPRACTICE INSURANCE**

As of March 31, 2003, the Hospital carried occurrence basis malpractice insurance coverage of \$1,000,000 per claim and \$3,000,000 aggregate, plus excess liability coverage of \$3,000,000.

**NOTE 12 – CONCENTRATIONS**

Medicare and Medicaid accounted for approximately 35% and 33% of the Hospital's net patient service revenue during the years ended March 31, 2003 and 2002, respectively.



**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  
Mercer County Joint Township Community Hospital

We have audited the financial statements of Mercer County Joint Township Community Hospital as of and for the year ended March 31, 2003, and have issued our report thereon dated July 18, 2003. We conducted our audit in accordance with U.S. 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.

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.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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.

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 and Company Inc.

Fort Mitchell, Kentucky  
July 18, 2003

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
NONCOMPLIANCE CITATIONS - OHIO REVISED CODE  
YEAR ENDED MARCH 31, 2003**

NONE

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL  
STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS**

NONE







**Auditor of State  
Betty Montgomery**

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800-282-0370

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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 6, 2003**