

# **Highland County Joint Township Hospital District**

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**Combined Financial Report  
December 31, 2004**





**Auditor of State  
Betty Montgomery**

Board of Governors  
Highland County Joint Township Hospital District  
1275 North High Street  
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Highland County Joint Township Hospital District, Highland County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2004 through December 31, 2004. 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 Highland County Joint Township Hospital District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

May 23, 2005

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# Highland County Joint Township Hospital District

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Independent Auditor's Report

To the Joint Township Hospital District Board of Trustees and Hospital Board of Governors  
Highland County Joint Township Hospital District and Subsidiaries  
Hillsboro, Ohio

We have audited the accompanying combined and combining financial statements of Highland County Joint Township Hospital District (the "Hospital") and Subsidiaries (Highland District Hospital Foundation, Inc., Highland Joint Township District Hospital Foundation, PFW Professional Service Corporation, and Highland District Hospital Professional Services Corporation) as of December 31, 2004 and 2003 and for the years then ended, as listed in the table of contents. These combined and combining financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined and combining financial statements based on our audits.

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

In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of Highland County Joint Township Hospital District and Subsidiaries as of December 31, 2004 and 2003 and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, Highland County Joint Township Hospital District has changed its method of presenting component units.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2005 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and, accordingly, do not express an opinion thereon.

*Plante & Moran, PLLC*

February 21, 2005

# Highland County Joint Township Hospital District

## Management's Discussion and Analysis

The management's discussion and analysis of Highland County Joint Township Hospital District's (the "Organization") combined financial statements provide an overview of the Organization's financial activities for the year ended December 31, 2004. While the financial statements reflect information for Highland District Hospital (the "Hospital") and component units separately, this management's discussion and analysis will focus on the information for the Hospital only. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with this discussion and analysis.

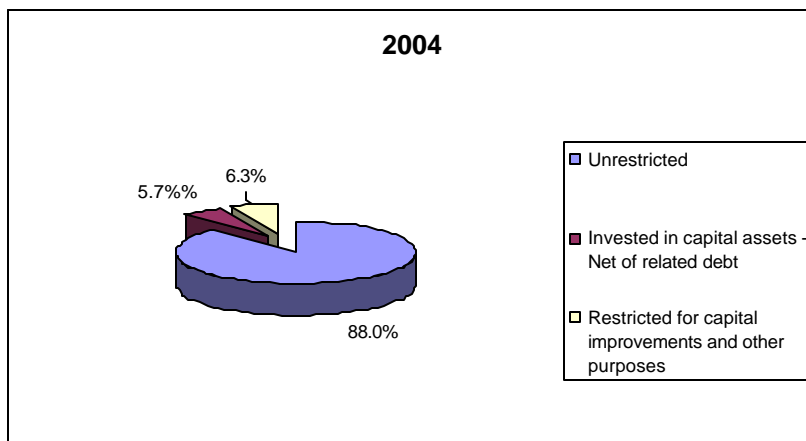
### Using this Annual Report

The Hospital's financial statements consist of three statements - a balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purpose by contributors, grantors, or enabling legislation.

### Financial Highlights

The Hospital's financial position improved during the year ended December 31, 2004. Cash and cash equivalents increased by \$4,689,000, or 162.8 percent, and the current assets increased by \$3,519,000, or 31.9 percent from the prior year. In total, the Hospital's net assets increased \$1,949,000, or 16.9 percent from the previous year. The increase in net assets resulted from increased patient revenue due to increasing outpatient volumes, good expense control, and a net gain realized from the settlement of litigation during the year.

The following chart provides a breakdown of net assets by category for the year ended December 31, 2004.





# Highland County Joint Township Hospital District

## Management's Discussion and Analysis (Continued)

In the year ended December 31, 2004, the Hospital's revenues and other support exceeded expenses, creating an increase in net assets of \$1,949,000 compared to a \$521,000 increase in the previous year.

### Condensed Financial Information

The following is a comparative analysis of the major components of the balance sheet of the Hospital as of December 31, 2004:

	Year Ended December 31		Change	
	2004	2003	Amount	Percent
Assets:				
Current assets	\$ 14,549,878	\$ 11,030,970	\$ 3,518,908	31.9%
Noncurrent assets	5,210,863	3,365,938	1,844,925	54.8%
Capital assets	<u>13,755,193</u>	<u>13,302,481</u>	<u>452,712</u>	3.4%
Total assets	33,515,934	27,699,389	5,816,545	21.0%
Liabilities:				
Current liabilities	4,336,699	3,670,975	665,724	18.1%
Long-term liabilities	<u>15,715,131</u>	<u>12,513,569</u>	<u>3,201,562</u>	25.6%
Total liabilities	20,051,830	16,184,544	3,867,286	23.9%
Net assets:				
Invested in capital assets - Net of debt	766,277	1,137,346	(371,069)	-32.6%
Restricted assets	847,647	838,874	8,773	1.0%
Unrestricted	<u>11,850,180</u>	<u>9,538,625</u>	<u>2,311,555</u>	24.2%
Total net assets	<b><u>\$13,464,104</u></b>	<b><u>\$11,514,845</u></b>	<b><u>\$ 1,949,259</u></b>	16.9%

There were two significant changes in net assets during the year. Net assets invested in capital assets declined in 2004 by \$371,000, or 32.6 percent. This reflects the fact that purchases of new capital assets during the year were less than the depreciation recognized on capital assets. The Hospital intentionally limited capital expenditures for the past two years in order to conserve cash and enhance cash balances. Continued improvement in the Hospital's performance will allow for greater capital investments in the future. The increase in unrestricted net assets of \$2,312,000, or 24.2 percent, reflects the improved operating performance for 2004 and the net gain related to the settlement of litigation.

## Management's Discussion and Analysis (Continued)

### Operating Results for the Year (in thousands)

# Highland County Joint Township Hospital District

	Year Ended December 31		Change	
	2004	2003	Amount	Percent
	(in thousands)			
<b>Operating Revenue</b>				
Net patient service revenue	\$ 38,233	\$ 36,844	\$ 1,389	3.8%
Other	332	269	63	23.4%
Total operating revenue	38,565	37,113	1,452	3.9%
<b>Operating Expenses</b>				
Salaries and wages	14,559	13,484	1,075	8.0%
Employee benefits	4,970	4,753	217	4.6%
Supplies	5,187	4,913	274	5.6%
Purchased services	4,415	4,682	(267)	-5.7%
Physician fees	2,111	2,206	(95)	-4.3%
Depreciation and amortization	1,863	1,960	(97)	-4.9%
Professional fees	444	384	60	15.6%
Utilities	783	723	60	8.3%
Insurance	542	506	36	7.1%
Other	308	257	51	19.8%
Total operating expenses	35,182	33,868	1,314	3.9%
<b>Income from Operations</b>	3,383	3,245	138	4.3%
<b>Nonoperating Gains (Losses)</b>				
Investment income	90	58	32	55.2%
Interest earnings on restricted assets	9	9	-	0.0%
Interest expense	(817)	(825)	8	-1.0%
Other	974	304	670	220.4%
Total nonoperating gains (losses)	256	(454)	710	-156.4%
<b>Revenue in Excess of Expenses</b>	3,639	2,791	848	30.4%
<b>Transfer to Affiliates</b>	(1,690)	(2,270)	580	-25.6%
<b>Increase in Net Assets</b>	1,949	521	\$ 1,428	274.1%
<b>Net Assets - Beginning of year</b>	11,515	10,994		
<b>Net Assets - End of year</b>	\$ 13,464	\$ 11,515		

# Highland County Joint Township Hospital District

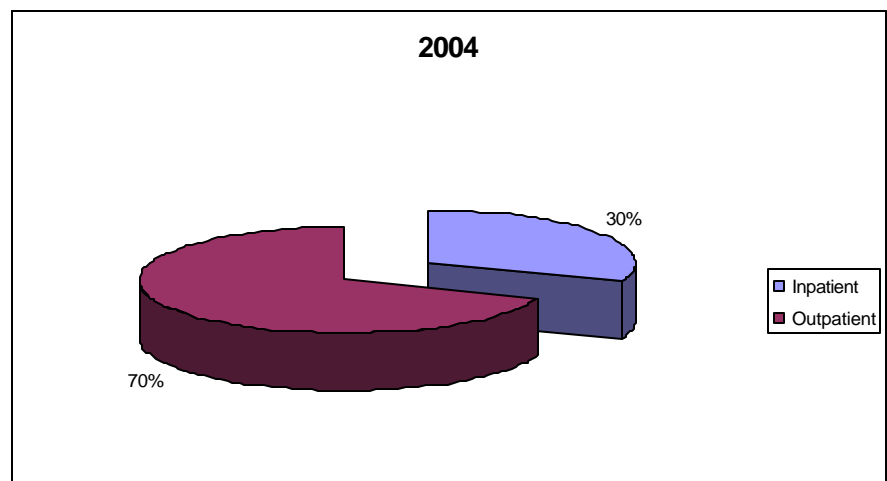
## Management's Discussion and Analysis (Continued)

### Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 3.8 percent. This was attributable to a modest increase in third-party payments and a slight increase in adjusted patient days. While inpatient days actually declined by 8.4 percent, significant increases in outpatient visits resulted in a 4.7 percent increase in equivalent outpatient days. Gross patient revenue is reduced by revenue deductions in determining net patient revenue. These deductions include amounts not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, and commercial payors as well as amounts related to self-pay patients that qualify for charity write-offs based on pre-established financial need criteria and bad debts. These revenue deductions increased from 42.6 percent to 43.3 percent of gross revenue.
- Other operating revenue increased 23.4 percent due primarily to grant income and increased outside laboratory sales.
- The following is a graphic illustration of patient revenues by source:



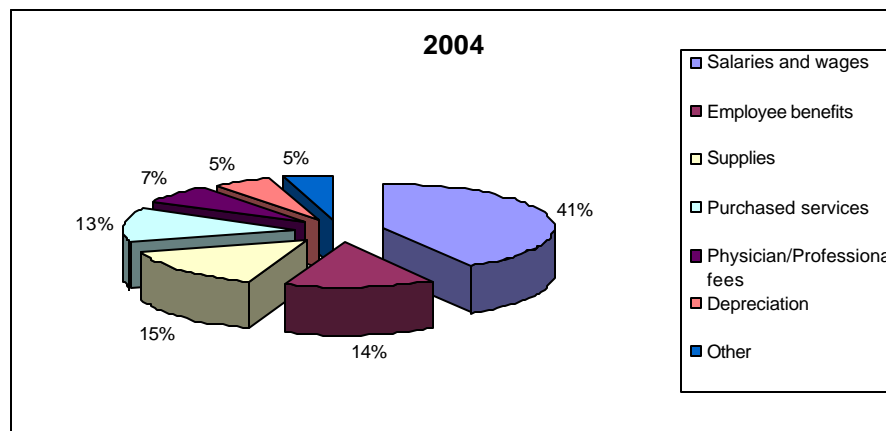
# Highland County Joint Township Hospital District

## Management's Discussion and Analysis (Continued)

### Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The operating expense changes were the result of the following factors:

- Salary costs increased 8.0 percent due to a 2.5 percent increase in the number of FTEs, while salary increases were implemented to maintain market competitiveness.
- Benefit costs increased 4.6 percent due primarily to increases in group health insurance premiums.
- Supplies increased 5.6, reflecting slightly increased volumes and modest cost inflation.
- Purchased service costs actually decreased 5.7 percent, due primarily to reduce utilization of nursing agencies and discontinuation of contracted management of some Hospital departments.
- Insurance costs increased 7.1 percent, which was a favorable result in a very difficult insurance market.
- Physician fees were reduced 4.3 percent, due primarily to changes in the Hospital's contract for emergency room physicians. Under the new contract implemented in November 2004, the Hospital will no longer pay the full cost of physician coverage and the contracting physicians will bill patients and third parties for the physician services as opposed to the Hospital.
- Depreciation and amortization declined by 4.9 percent because of the reduction in capital expenditures.
- Professional fees increased 15.6 percent due primarily to higher legal expenses.
- The following is a graphic illustration of operating expenses by type:



## Management's Discussion and Analysis (Continued)

# Highland County Joint Township Hospital District

## Nonoperating Revenue

Nonoperating revenue and expenses are all sources and uses that are primarily non-exchange in nature. They usually consist primarily of investment income including realized and unrealized gains and losses. In 2004, the Hospital settled certain lawsuits related to a 1999 construction project. The proceeds received as a part of the settlement are included net of the write-off of the related assets, as a gain on disposal of assets.

## Other Revenue/Changes in Net Assets

Other revenue/changes in net assets consist of items that are typically nonrecurring, extraordinary, or unusual to the Hospital. Examples would be capital grants, additions to permanent endowments, and transfers from related entities. Transfers from the Hospital to component units were reduced by 25.6 percent in 2004. This was the result of improved operating results and working capital management of the component units.

## Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

	Year Ended December 31		Increase (Decrease)
	2004	2003	
	(in thousands)		
Cash provided by (used in):			
Operating and nonoperating activities	\$ 7,088	\$ 4,722	\$ 2,366
Capital and related financing activities	1,107	(1,978)	3,085
Investing activities	(253)	(1,668)	1,415
Total	7,942	1,076	6,866
<b>Cash - Beginning of year</b>	<u>3,092</u>	<u>2,016</u>	<u>1,076</u>
<b>Cash - End of year</b>	<u>\$ 11,034</u>	<u>\$ 3,092</u>	<u>\$ 7,942</u>

## Management's Discussion and Analysis (Continued)

The Hospital's liquidity improved during the year. The following discussion highlights the most significant items of cash flows presented above.

## Highland County Joint Township Hospital District

Cash provided by operating activities increased \$2,366,000 over the prior year. This was due to the increase in cash received from patients and third-party payors, which increased \$3,517,000 while cash paid to employees and suppliers increased only \$1,476,000. In addition to the strong operating performance in 2004, a significant reduction in accounts receivable was a major factor in improved operating cash flow.

Cash provided by (used in) capital and related financing activities increased by \$3,085,000, primarily because of the issuance of \$3,905,000 of new debt in 2004 compared to no new debt in 2003. Capital expenditures increased by \$1,923,000, as the Hospital's improved performance provided additional cash flow to meet capital investment needs. The Hospital will continue to manage capital spending in order to improve the overall cash and debt positions.

Cash provided by investing activities increased by \$1,415,000. Additional net sales of investments of \$823,000 in 2004, compared to net purchases of investments of \$44,000 in 2003, were primarily related to the 2004 bond proceeds.

### Capital Asset and Debt Administration

#### Capital Assets

At December 31, 2004, the Hospital had \$13,755,000 invested in capital assets, net of accumulated depreciation of \$15,182,000. Depreciation and amortization totaled \$1,863,000 for the current year compared to \$1,960,000 last year. Details of the historical cost of these assets for the past two years are shown below.

	Year Ended December 31		Increase (Decrease)
	2004	2003	
	(in thousands)		
Land	\$ 15	\$ 15	\$ -
Land improvements	646	630	16
Buildings	10,274	10,632	(358)
Equipment	15,791	15,439	352
Construction in progress	2,212	286	1,926
Total	<u>\$ 28,938</u>	<u>\$ 27,002</u>	<u>\$ 1,936</u>

### Management's Discussion and Analysis (Continued)

#### Debt

At year end, the Hospital had \$15,302,000 in long-term debt outstanding as compared to \$12,165,000 the previous year. The table below summarizes these amounts by type of debt instrument:

# Highland County Joint Township Hospital District

	Year Ended December 31		Increase
	2004	2003	(Decrease)
	(in thousands)		
Lease obligations	\$ 597	\$ 897	\$ (300)
Bonds and loans payable	<u>14,705</u>	<u>11,268</u>	<u>3,437</u>
Total long-term debt	<u>\$ 15,302</u>	<u>\$ 12,165</u>	<u>\$ 3,137</u>

During 2004, the Hospital issued \$3,905,000 of new debt, the proceeds of which were used to fund a project fund to re clad the exterior of the 1999 building and to pay off a small 2001 bond issue.

The Hospital has continued to pay down its other debt obligations as prescribed in the debt schedules. More detailed information about the Hospital's long-term liabilities is presented in the notes to the financial statements.

## Economic Factors that Will Affect the Future

The economic position of the Organization is directly impacted by the trends in federal and state reimbursement initiatives as well as local economic conditions. These factors will continue to pressure the net revenues realized from the delivery of patient care. Accordingly, the Organization will continue to strive for improved efficiencies and cost reductions so that operating margins can be maintained and enhanced to provide adequate cash flow to meet future community needs.

## Contacting the Authority's Management

This financial report is intended to provide the reader with a general overview of the Organization's finances. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer.

Robert E. Kerr  
Chief Financial Officer

# Highland County Joint Township Hospital District

## Combined Balance Sheet

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents (Note 3)	\$ 7,569,261	\$ 155,909	\$ 2,880,548	\$ 118,229
Assets limited as to use - Current portion (Note 3)	1,186,827	-	673,826	-
Patient accounts receivable (Note 4)	4,188,218	293,672	5,700,383	579,143
Intercompany receivable	226,267	-	434,321	5,425
Inventories	354,945	-	446,278	-
Prepaid expenses and other current assets	530,182	158,240	301,424	124,865
Accrued interest receivable	5,006	-	13,605	-
Notes and grants receivable - Current portion (Note 5)	250,073	-	293,088	-
Other receivables	239,099	6,994	287,497	3,507
Total current assets	14,549,878	614,815	11,030,970	831,169
<b>Assets Limited as To Use (Note 3)</b>				
Total assets limited as to use	5,967,705	50,354	3,528,143	28,635
Less amounts to meet current obligations	(1,186,827)	-	(673,826)	-
Total assets limited to use - Noncurrent portion	4,780,878	50,354	2,854,317	28,635
<b>Capital Assets (Notes 6 and 8)</b>	13,755,193	540,089	13,302,481	642,095
<b>Other Assets</b>				
Notes and grants receivable - Net of current portion (Note 5)	127,639	-	304,386	-
Intangible assets	-	237,000	-	308,000
Unamortized financing costs - Net	202,346	887	107,235	1,447
Other investments	100,000	84,433	100,000	84,433
Total other assets	429,985	322,320	511,621	393,880
Total assets	<b>\$ 33,515,934</b>	<b>\$ 1,527,578</b>	<b>\$ 27,699,389</b>	<b>\$ 1,895,779</b>



# Highland County Joint Township Hospital District

## Combined Balance Sheet (Continued)

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt (Note 8)	\$ 595,600	\$ 130,486	\$ 597,752	\$ 120,800
Accounts payable - Trade	882,907	126,036	1,336,775	133,614
Intercompany payable	-	225,959	-	434,321
Accounts payable - Construction	591,227	-	76,074	-
Accrued liabilities (Note 9)	1,413,032	204,060	1,069,689	172,474
Estimated amounts due third-party payors (Note 7)	853,933	-	590,685	-
Total current liabilities	4,336,699	686,541	3,670,975	861,209
<b>Compensated Absences</b>	1,008,519	17,356	946,186	17,538
<b>Long-term Debt</b> - Net of current portion (Note 8)	14,706,612	279,724	11,567,383	409,536
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	766,277	343,304	1,137,346	439,037
Restricted:				
Expendable for capital improvements and other purposes	847,647	39,144	838,874	17,425
Nonexpendable permanent endowments	-	11,210	-	11,210
Unrestricted	11,850,180	150,299	9,538,625	139,824
Total net assets	13,464,104	543,957	11,514,845	607,496
Total liabilities and net assets	<b>\$ 33,515,934</b>	<b>\$ 1,527,578</b>	<b>\$ 27,699,389</b>	<b>\$ 1,895,779</b>

# Highland County Joint Township Hospital District

## Combined Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
<b>Operating Revenue</b>				
Net patient service revenue (Note 10)	\$ 38,233,222	\$ 3,382,329	\$ 36,844,046	\$ 3,161,238
Other operating revenue	331,829	147,712	268,920	143,724
Total operating revenue	38,565,051	3,530,041	37,112,966	3,304,962
<b>Operating Expenses</b>				
Salaries and wages	14,558,493	2,788,985	13,483,719	2,812,785
Employee benefits	4,969,735	510,066	4,753,172	515,155
Supplies	5,186,419	115,667	4,913,012	137,780
Purchased services	4,415,314	591,673	4,681,825	586,843
Physician fees	2,111,324	286,000	2,205,961	294,333
Depreciation and amortization	1,863,281	173,344	1,959,988	202,439
Professional fees	444,245	-	384,285	-
Utilities	782,535	108,941	722,679	115,196
Insurance	542,086	57,290	506,321	48,407
Other	308,238	633,075	257,344	829,292
Total operating expenses	35,181,670	5,265,041	33,868,306	5,542,230
<b>Income (Loss) from Operations</b>	3,383,381	(1,735,000)	3,244,660	(2,237,268)
<b>Nonoperating Gains (Losses)</b>				
Investment income	89,958	1,186	57,851	-
Interest earnings on restricted assets	8,775	-	9,141	-
Interest expense	(816,818)	(35,124)	(825,394)	(44,250)
Gain on disposal of assets (Note 13)	678,065	-	1,995	-
Other nonoperating gains	295,898	15,399	302,963	28,268
Total nonoperating gains (losses)	255,878	(18,539)	(453,444)	(15,982)
<b>Excess of Revenue Over (Under) Expenses</b>	3,639,259	(1,753,539)	2,791,216	(2,253,250)
<b>Transfer from (to) Affiliates</b>	(1,690,000)	1,690,000	(2,270,000)	2,270,000
<b>Increase (Decrease) in Net Assets</b>	1,949,259	(63,539)	521,216	16,750
<b>Net Assets - Beginning of year</b>	11,514,845	607,496	10,993,629	590,746
<b>Net Assets - End of year</b>	<b>\$ 13,464,104</b>	<b>\$ 543,957</b>	<b>\$ 11,514,845</b>	<b>\$ 607,496</b>

# Highland County Joint Township Hospital District

## Combined Statement of Cash Flows

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
<b>Cash Flows from Operating and Nonoperating Activities</b>				
Cash received from patients and third-party payors	\$ 39,564,390	\$ 3,667,800	\$ 36,046,916	\$ 3,149,708
Cash payments to suppliers for services and goods	(13,729,155)	(1,833,599)	(13,333,858)	(2,084,404)
Cash payments to employees for services	(19,127,673)	(3,476,009)	(18,046,597)	(3,298,451)
Other operating revenue received	380,227	149,650	55,066	148,551
Net cash provided by (used in) operating and nonoperating activities	7,087,789	(1,492,158)	4,721,527	(2,084,596)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(2,503,817)	-	(581,151)	(72,275)
Principal payments on bonds	(467,631)	(120,126)	(288,784)	(111,004)
Interest paid on long-term debt - Net of capitalized interest	(811,697)	(35,124)	(826,238)	(44,250)
Issuance of long-term debt	3,905,000	-	-	-
Bond issuance costs	(104,610)	-	-	-
Principal payments on capital leases	(300,292)	-	(289,577)	-
Proceeds from sale of capital assets	1,390,541	222	7,713	-
Net cash provided by (used in) capital and related financing activities	1,107,494	(155,028)	(1,978,037)	(227,529)
<b>Cash Flows from Investing Activities</b>				
Advances to physicians - Net of forgiveness	219,762	-	277,674	-
Income received on investments	98,557	1,186	65,677	-
Income from other nonoperating gains	295,898	15,399	302,963	28,268
Transfer to (from) affiliates	(1,690,000)	1,690,000	(2,270,000)	2,270,000
Purchases of investments	(5,060,790)	-	(7,234,776)	-
Proceeds from sale of investments	5,883,330	-	7,190,572	-
Net cash provided by (used in) investing activities	(253,243)	1,706,585	(1,667,890)	2,298,268
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,942,040	59,399	1,075,600	(13,857)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,091,859	146,864	2,016,259	160,721
<b>Cash and Cash Equivalents - End of year (Note 3)</b>	<b>\$ 11,033,899</b>	<b>\$ 206,263</b>	<b>\$ 3,091,859</b>	<b>\$ 146,864</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Current assets - Cash	\$ 7,569,261	\$ 155,909	\$ 2,880,548	\$ 118,229
Assets limited as to use	3,464,638	50,354	211,311	28,635
Total	<b>\$ 11,033,899</b>	<b>\$ 206,263</b>	<b>\$ 3,091,859</b>	<b>\$ 146,864</b>

# Highland County Joint Township Hospital District

## Combined Statement of Cash Flows (Continued)

A reconciliation of income (loss) from operations to net cash from operating and nonoperating activities is as follows:

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
<b>Cash Flows from Operating and Nonoperating Activities</b>				
Income (loss) from operations	\$ 3,383,381	\$ (1,735,000)	\$ 3,244,660	\$ (2,237,268)
Adjustments to reconcile income (loss) from operations to net cash from operating and nonoperating activities:				
Depreciation and amortization	1,863,281	173,344	1,959,988	202,439
Provision for bad debts	3,140,425	120,664	2,810,948	259,555
(Increase) decrease in assets:				
Patient receivables	(1,420,206)	164,807	(3,706,252)	(271,085)
Other receivables	48,398	1,938	(213,854)	4,827
Inventory	91,333	-	(102,949)	-
Prepaid expenses	(228,758)	(33,375)	156,134	(42,751)
Increase (decrease) in liabilities:				
Accounts payable	(453,868)	(215,940)	(85,108)	(15,009)
Accrued expenses and compensated absences	400,555	31,404	190,294	14,696
Estimated amounts due third-party payors	263,248	-	467,666	-
Net cash provided by (used in) operating and nonoperating activities	<b>\$ 7,087,789</b>	<b>\$ (1,492,158)</b>	<b>\$ 4,721,527</b>	<b>\$ (2,084,596)</b>

# Highland County Joint Township Hospital District

## Component Units - Combining Balance Sheet December 31, 2004

Assets	HDH Foundation	PSC	PFW	HJTDH Foundation	Component Units Total
<b>Current Assets</b>					
Cash and cash equivalents	\$ 551	\$ 39,188	\$ 22,977	\$ 93,193	\$ 155,909
Patient accounts receivable - Net	-	186,294	107,378	-	293,672
Prepaid expenses and other current assets	-	78,321	79,919	-	158,240
Other receivables	-	1,301	268	5,425	6,994
Total current assets	551	305,104	210,542	98,618	614,815
<b>Assets Limited as to Use</b>					
Total assets limited as to use	-	-	-	50,354	50,354
Less amounts to meet current obligations	-	-	-	-	-
Total assets limited to use - Noncurrent portion	-	-	-	50,354	50,354
<b>Capital Assets - Net</b>	-	529,510	10,579	-	540,089
<b>Other Assets</b>					
Intangible assets	-	-	237,000	-	237,000
Unamortized financing costs - Net	-	-	887	-	887
Other investments	84,433	-	-	-	84,433
Total other assets	84,433	-	237,887	-	322,320
Total assets	<b>\$ 84,984</b>	<b>\$ 834,614</b>	<b>\$ 459,008</b>	<b>\$ 148,972</b>	<b>\$ 1,527,578</b>

# Highland County Joint Township Hospital District

## Component Units - Combining Balance Sheet (Continued) December 31, 2004

	HDH Foundation	PSC	PFW	HJTDH Foundation	Component Units Total
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ -	\$ 6,710	\$ 123,776	\$ -	\$ 130,486
Accounts payable - Trade	-	120,915	5,121	-	126,036
Intercompany payable	-	225,959	-	-	225,959
Accrued liabilities	-	122,478	81,582	-	204,060
Total current liabilities	-	476,062	210,479	-	686,541
<b>Compensated Absenses</b>	-	10,838	6,518	-	17,356
<b>Long-term Debt - Net of current portion</b>	-	190,075	89,649	-	279,724
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	-	332,725	10,579	-	343,304
Restricted:					
Expendable for capital improvements and other purposes	-	-	-	39,144	39,144
Nonexpendable permanent endowments	-	-	-	11,210	11,210
Unrestricted	84,984	(175,086)	141,783	98,618	150,299
Total net assets	84,984	157,639	152,362	148,972	543,957
Total liabilities and net assets	<b>\$ 84,984</b>	<b>\$ 834,614</b>	<b>\$ 459,008</b>	<b>\$ 148,972</b>	<b>\$ 1,527,578</b>

# Highland County Joint Township Hospital District

## Component Units - Combining Balance Sheet December 31, 2003

Assets	HDH Foundation	PSC	PFW	HJTDH Foundation	Component Units Total
<b>Current Assets</b>					
Cash and cash equivalents	\$ 633	\$ 69,515	\$ 20,979	\$ 27,102	\$ 118,229
Patient accounts receivable - Net	-	475,855	103,288	-	579,143
Prepaid expenses and other current assets	-	57,997	66,868	-	124,865
Other receivables	-	1,000	2,507	5,425	8,932
	<u>633</u>	<u>604,367</u>	<u>193,642</u>	<u>32,527</u>	<u>831,169</u>
<b>Assets Limited as to Use</b>					
Total assets limited as to use	-	-	-	28,635	28,635
Less amounts to meet current obligations	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,635</u>	<u>28,635</u>
<b>Capital Assets - Net</b>	-	625,442	16,653	-	642,095
<b>Other Assets</b>					
Intangible assets	-	35,000	273,000	-	308,000
Unamortized financing costs - Net	-	-	1,447	-	1,447
Other investments	84,433	-	-	-	84,433
	<u>84,433</u>	<u>35,000</u>	<u>274,447</u>	<u>-</u>	<u>393,880</u>
<b>Total assets</b>	<u>\$ 85,066</u>	<u>\$ 1,264,809</u>	<u>\$ 484,742</u>	<u>\$ 61,162</u>	<u>\$ 1,895,779</u>

# Highland County Joint Township Hospital District

## Component Units - Combining Balance Sheet (Continued) December 31, 2003

	HDH Foundation	PSC	PFW	HJTDH Foundation	Component Units Total
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ -	\$ 6,510	\$ 114,290	\$ -	\$ 120,800
Accounts payable - Trade	-	127,564	6,050	-	133,614
Intercompany payable	-	434,321	-	-	434,321
Accrued liabilities	-	98,030	74,444	-	172,474
	-	666,425	194,784	-	861,209
Total current liabilities	-	666,425	194,784	-	861,209
<b>Compensated Absences</b>	-	9,847	7,691	-	17,538
<b>Long-term Debt - Net of current portion</b>	-	196,548	212,988	-	409,536
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	-	422,384	16,653	-	439,037
Restricted:					
Expendable for capital improvements and other purposes	-	-	-	17,425	17,425
Nonexpendable permanent endowments	-	-	-	11,210	11,210
Unrestricted	85,066	(30,395)	52,626	32,527	139,824
	85,066	391,989	69,279	61,162	607,496
Total net assets	85,066	391,989	69,279	61,162	607,496
Total liabilities and net assets	<b>\$ 85,066</b>	<b>\$ 1,264,809</b>	<b>\$ 484,742</b>	<b>\$ 61,162</b>	<b>\$ 1,895,779</b>



# Highland County Joint Township Hospital District

## Component Units - Combining Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	HDH Foundation	PSC	PFW	HJTD Foundation	Component Units Total
<b>Operating Revenue</b>					
Net patient service revenue	\$ -	\$ 1,992,366	\$ 1,389,963	\$ -	\$ 3,382,329
Other operating revenue	-	1,513	554	145,645	147,712
Total operating revenue	-	1,993,879	1,390,517	145,645	3,530,041
<b>Operating Expenses</b>					
Salaries and wages	-	1,640,000	1,148,985	-	2,788,985
Employee benefits	-	341,383	168,683	-	510,066
Supplies	-	70,090	45,577	-	115,667
Purchased services	-	583,643	8,030	-	591,673
Physician fees	-	286,000	-	-	286,000
Depreciation and amortization	-	130,710	42,634	-	173,344
Utilities	-	76,589	32,352	-	108,941
Insurance	-	24,006	33,284	-	57,290
Other	92	302,906	271,056	59,021	633,075
Total operating expenses	92	3,455,327	1,750,601	59,021	5,265,041
<b>Income (Loss) from Operations</b>	(92)	(1,461,448)	(360,084)	86,624	(1,735,000)
<b>Nonoperating Gains (Losses)</b>					
Investment income	-	-	-	1,186	1,186
Interest expense	-	(12,720)	(22,404)	-	(35,124)
Other nonoperating gains	10	14,818	571	-	15,399
Total nonoperating gains (losses)	10	2,098	(21,833)	1,186	(18,539)
<b>Excess of Revenue Over (Under) Expenses</b>	(82)	(1,459,350)	(381,917)	87,810	(1,753,539)
<b>Transfer from Affiliates</b>	-	1,225,000	465,000	-	1,690,000
<b>Increase (Decrease) in Net Assets</b>	(82)	(234,350)	83,083	87,810	(63,539)
<b>Net Assets - Beginning of year</b>	85,066	391,989	69,279	61,162	607,496
<b>Net Assets - End of year</b>	\$ 84,984	\$ 157,639	\$ 152,362	\$ 148,972	\$ 543,957

# Highland County Joint Township Hospital District

## Component Units - Combining Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	<u>HDH Foundation</u>	<u>PSC</u>	<u>PFW</u>	<u>HJTD Foundation</u>	Component Units <u>Total</u>
<b>Operating Revenue</b>					
Net patient service revenue	\$ -	\$ 1,794,775	\$ 1,366,463	\$ -	\$ 3,161,238
Other operating revenue	-	209	256	143,259	143,724
Total operating revenue	-	1,794,984	1,366,719	143,259	3,304,962
<b>Operating Expenses</b>					
Salaries and wages	-	1,642,538	1,170,247	-	2,812,785
Employee benefits	-	324,472	190,683	-	515,155
Supplies	-	87,449	47,328	3,003	137,780
Purchased services	-	517,079	69,764	-	586,843
Physician fees	-	294,333	-	-	294,333
Depreciation and amortization	-	158,780	43,659	-	202,439
Utilities	-	76,555	38,641	-	115,196
Insurance	611	19,155	28,106	535	48,407
Other	49	392,535	336,783	99,925	829,292
Total operating expenses	660	3,512,896	1,925,211	103,463	5,542,230
<b>Income (Loss) from Operations</b>	(660)	(1,717,912)	(558,492)	39,796	(2,237,268)
<b>Nonoperating Gains (Losses)</b>					
Interest expense	-	(13,073)	(31,177)	-	(44,250)
Other nonoperating gains	166	24,705	2,304	1,093	28,268
Total nonoperating gains (losses)	166	11,632	(28,873)	1,093	(15,982)
<b>Excess of Revenue Over (Under) Expenses</b>	(494)	(1,706,280)	(587,365)	40,889	(2,253,250)
<b>Transfer from Affiliates</b>	-	1,554,333	715,667	-	2,270,000
<b>Increase (Decrease) in Net Assets</b>	(494)	(151,947)	128,302	40,889	16,750
<b>Net Assets - Beginning of year</b>	85,560	543,936	(59,023)	20,273	590,746
<b>Net Assets - End of year</b>	\$ 85,066	\$ 391,989	\$ 69,279	\$ 61,162	\$ 607,496

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 1 - Nature of Business and Significant Accounting Policies

**Reporting Entity/Basis of Consolidation** - The accompanying combined financial statements include the accounts of Highland County Joint Township Hospital District (the "Hospital") and its four subsidiaries, Highland District Hospital Foundation, Inc., Highland District Hospital Professional Services Corporation, Highland Joint Township District Hospital Foundation, and PFW Professional Service Corporation (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Highland County Joint Township Hospital District is a 65-bed, acute care facility located in Hillsboro, Ohio, serving patients primarily in Highland County. The Hospital is a political subdivision of the State of Ohio and was formed under the provisions of the Ohio revised code. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital District Board of Trustees who appoint the Hospital Board of Governors, which is composed of one member from each township and three at-large members.

During 1999, the Hospital formed the Highland District Hospital Foundation, Inc. (HDH Foundation) as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). The Foundation is controlled by the Hospital's Board of Governors.

Also during 1999, the Hospital formed the Highland District Hospital Professional Services Corporation (PSC) as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) to further the charitable purposes of the HDH Foundation and the Hospital.

During 2001, the Hospital formed the Highland Joint Township District Hospital Foundation (HJTDH Foundation) as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) to raise and hold contributions for the benefit of the Hospital.

Also during 2001, the Hospital formed the PFW Professional Service Corporation (PFW) as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) to further the charitable purposes of the HDH Foundation and the Hospital.

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

**Basis of Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Hospital now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive one-line look at the Organization's financial activities. There was no impact to the net assets of the Organization in adopting GASB Statement No. 34. The Organization also applies the Financial Accounting Standard Board Statements and Interpretations to the extent that they do not conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents** - Cash and cash equivalents are defined as short-term, highly liquid investments purchased with initial maturities of three months or less.

**Inventories** - Inventories, consisting primarily of medical supplies and drugs, are valued at the lower of cost, determined by the first-in, first-out method, or market.

**Assets Limited as to Use** - Assets limited as to use consist of invested funds designated by the Hospital's Board of Governors for employee benefits, the replacement, improvement, and expansion of the Hospital's facilities, and invested funds restricted in connection with the Hospital's revenue bonds. Amounts required to meet current obligations are recognized as current assets. Assets limited as to use also include funds restricted by contributors for capital improvements and other purposes, as well as the principal and interest on a permanent endowment, of which the interest is restricted for operations and capital improvements.

**Capital Assets** - Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the related lease term. Such amortization is included in depreciation and amortization in the financial statements. Costs of maintenance and repairs are charged to expense when incurred.

**Unamortized Financing Costs** - Costs incurred in obtaining long-term bond financing are being amortized over the period the obligations are outstanding using the effective interest method. Amortization expense totaled \$9,499 and \$22,900 in 2004 and 2003, respectively. In 2001, PFW incurred costs in obtaining a commercial loan to finance the purchase of a physician practice. These costs are being amortized over the period the obligations are outstanding using the straight-line method. Amortization expense totaled \$560 in 2004 and 2003.

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Intangible Assets** - Intangible assets are related to the acquisitions of PSC in 1999 and PFW in 2001. These assets are being amortized on a straight-line basis over 10-year and five-year periods, respectively. Amortization expense related to the acquisition of PSC totaled \$35,000 in 2004 and 2003. Amortization expense related to the acquisition of PFW totaled \$36,000 in 2004 and 2003.

**Compensated Absences** - Paid time off is charged to operations when earned. Unused and earned benefits are recorded as a liability in the financial statements. Employees accumulate vacation days and sick leave benefits at varying rates depending on years of service. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-fourth of the accumulated balance, up to a maximum of 240 hours, calculated at the employee's base pay rate as of the retirement date.

**Restricted Resources** - When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources.

**Classification of Net Assets** - Net assets of the Organization are classified in four components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited with trustees as required by revenue bond indentures. Restricted nonexpendable net assets equal the principal portion of permanent endowments. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

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

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Net Patient Service Revenue** - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others. Retroactive adjustments to these estimated amounts are recorded in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations can be subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

**Income from Operations** - For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses, other than financing costs. Peripheral or incidental transactions are reported as nonoperating gains and losses.

**Charity Care** - The Hospital provides care to patients who meet certain criteria under the Hospital's charity 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 revenue.

**Pension Plan** - Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees Retirement System (OPERS). The Hospital funds pension costs accrued based on contribution rates determined by OPERS.

**Federal Income Tax** - As a political subdivision, the Hospital is exempt from taxation under the Internal Revenue Code.

**Beneficial Interest in Perpetual Trust** - In 2000, the Hospital was notified it had obtained a 50 percent interest in a perpetual trust. Under the perpetual trust agreement, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Annual distributions from the trust to the Hospital are reported as investment income. The assets of the trust are not recorded in the Hospital's financial statements.

**Reclassifications** - Certain amounts have been reclassified in 2003 to conform to current year presentation.

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 2 - Change in Presentation

The Organization changed the method by which it is presenting its component units during 2004 from a "blended" presentation to "discrete" presentation for all disclosures within the 2004 financial statements. The change in presentation was in order to comply with the provisions of Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*, issued by the Governmental Accounting Standards Board. The 2003 financial statements have been restated to reflect the discrete presentation.

### Note 3 - Deposits and Investments

Cash deposits, assets whose use is limited, and investments (all of which are considered available for sale) of the Organization are composed of the following:

	Hospital			
	2004		2003	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market accounts	\$ 11,033,899	\$ 11,033,899	\$ 3,091,859	\$ 3,091,859
Stocks	92,000	13,250	83,513	13,250
U.S. government obligations	2,411,067	2,414,842	3,233,319	3,238,674
<b>Total</b>	<b>\$ 13,536,966</b>	<b>\$ 13,461,991</b>	<b>\$ 6,408,691</b>	<b>\$ 6,343,783</b>
	2004		2003	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Amounts summarized by fund type -				
General funds:				
Cash	\$ 7,569,261	\$ 7,569,261	\$ 2,880,548	\$ 2,880,548
Assets limited as to use	5,967,705	5,892,730	3,528,143	3,463,235
<b>Total</b>	<b>\$ 13,536,966</b>	<b>\$ 13,461,991</b>	<b>\$ 6,408,691</b>	<b>\$ 6,343,783</b>

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 3 - Deposits and Investments (Continued)

	Component Units			
	2004		2003	
	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
Demand deposits and money market accounts	\$ 206,263	\$ 206,263	\$ 146,864	\$ 146,864
Stocks	-	-	-	-
U.S. government obligations	-	-	-	-
<b>Total</b>	<b><u>\$ 206,263</u></b>	<b><u>\$ 206,263</u></b>	<b><u>\$ 146,864</u></b>	<b><u>\$ 146,864</u></b>
	2004		2003	
Amounts summarized by fund type -	Fair Value	Amortized Historical Cost	Fair Value	Amortized Historical Cost
General funds:				
Cash	\$ 155,909	\$ 155,909	\$ 118,229	\$ 118,229
Assets limited as to use	50,354	50,354	28,635	28,635
<b>Total</b>	<b><u>\$ 206,263</u></b>	<b><u>\$ 206,263</u></b>	<b><u>\$ 146,864</u></b>	<b><u>\$ 146,864</u></b>

At December 31, 2004, the bank balance of the Organization's demand deposits and money market accounts totaled \$11,702,895. Of this balance, \$402,119 was covered by federal depository insurance and \$11,300,776 was collateralized with securities held in pooled collateral accounts at the pledging banks.

Investments in U.S. government obligations were uninsured and held by the Organization's agent in the Organization's name. Investments in common stock were held by the Organization in the Organization's name.



# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 3 - Deposits and Investments (Continued)

**Assets Limited as to Use** - The composition of assets whose use is limited is set forth below:

	Hospital		Component Units	
	2004	2003	2004	2003
Restricted by contributors for capital improvements and other purposes	\$ 847,649	\$ 838,874	\$ 39,144	\$ 17,425
Principal of permanent endowments	-	-	11,210	11,210
Designated by board for capital improvements and employee benefits	1,391,541	1,367,534	-	-
Held by trustee, under Bond Indenture agreements	3,728,515	1,321,735	-	-
Total assets limited as to use	<u>\$ 5,967,705</u>	<u>\$ 3,528,143</u>	<u>\$ 50,354</u>	<u>\$ 28,635</u>

### Note 4 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	Hospital	
	2004	2003
Total patient accounts receivable	\$ 8,479,326	\$ 10,547,254
Less allowance for:		
Uncollectible accounts	(1,277,051)	(1,606,244)
Contractual adjustments	<u>(3,014,057)</u>	<u>(3,240,627)</u>
Net patient accounts receivable	<u>\$ 4,188,218</u>	<u>\$ 5,700,383</u>

	Component Units	
	2004	2003
Total patient accounts receivable	\$ 573,821	\$ 1,191,681
Less allowance for:		
Uncollectible accounts	(51,684)	(206,798)
Contractual adjustments	<u>(228,465)</u>	<u>(405,740)</u>
Net patient accounts receivable	<u>\$ 293,672</u>	<u>\$ 579,143</u>

### Note 5 - Notes and Grants Receivable

Notes and grants receivable represent advances to physicians under various cash flow support and advance arrangements. These advances are to be repaid in varying monthly installments including interest at the prime lending rate and are unsecured. A majority of the physician notes and grants receivable are forgiven over time under the terms as

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

specified in the physician advance agreement. A summary of these amounts outstanding is as follows:

	Hospital	
	2004	2003
Notes and grants receivable	\$ 377,712	\$ 597,474
Less current portion	<u>(250,073)</u>	<u>(293,088)</u>
Long-term portion	<u>\$ 127,639</u>	<u>\$ 304,386</u>

### Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	2003	Hospital		2004
		Additions	Retirements	
Land	\$ 15,437	\$ -	\$ -	\$ 15,437
Land improvements	629,844	15,602	-	645,446
Buildings	10,631,873	45,671	(403,769)	10,273,775
Equipment	13,783,927	623,584	(131,099)	14,276,412
Equipment - Capital leases	1,654,778	-	(140,530)	1,514,248
Construction in progress	<u>285,790</u>	<u>2,334,113</u>	<u>(407,569)</u>	<u>2,212,334</u>
Total	27,001,649	3,018,970	(1,082,967)	28,937,652
Less accumulated depreciation:				
Land	-	-	-	-
Land improvements	370,210	67,141	-	437,351
Buildings	4,315,425	537,386	(100,942)	4,751,869
Equipment	8,208,469	903,124	(129,020)	8,982,573
Equipment - Capital leases	805,064	346,131	(140,529)	1,010,666
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>13,699,168</u>	<u>1,853,782</u>	<u>(370,491)</u>	<u>15,182,459</u>
Net carrying amount	<u>\$ 13,302,481</u>	<u>\$ 1,165,188</u>	<u>\$ (712,476)</u>	<u>\$ 13,755,193</u>

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2004 was as follows:

	Component Units			2004
	2003	Additions	Retirements	
Land improvements	\$ 397,861	\$ -	\$ -	\$ 397,861
Buildings	220,014	-	-	220,014
Equipment	343,064	-	(3,524)	339,540
<b>Total</b>	<b>960,939</b>	<b>-</b>	<b>(3,524)</b>	<b>957,415</b>
Less accumulated depreciation:				
Land improvements	174,366	44,287	-	218,653
Buildings	18,335	8,801	-	27,136
Equipment	126,143	48,696	(3,302)	171,537
<b>Total</b>	<b>318,844</b>	<b>101,784</b>	<b>(3,302)</b>	<b>417,326</b>
Net carrying amount	\$ 642,095	\$ (101,784)	\$ (222)	\$ 540,089

Capital asset activity for the year ended December 31, 2003 was as follows:

	Hospital			2003
	2002	Additions	Retirements	
Land	\$ 15,437	\$ -	\$ -	\$ 15,437
Land improvements	629,844	-	-	629,844
Buildings	10,601,002	32,871	(2,000)	10,631,873
Equipment	13,550,012	523,492	(289,577)	13,783,927
Equipment - Capital leases	1,654,778	-	-	1,654,778
Construction in progress	261,002	24,788	-	285,790
<b>Total</b>	<b>26,712,075</b>	<b>581,151</b>	<b>(291,577)</b>	<b>27,001,649</b>
Less accumulated depreciation:				
Land	-	-	-	-
Land improvements	299,458	70,752	-	370,210
Buildings	3,755,263	562,162	(2,000)	4,315,425
Equipment	7,817,749	674,579	(283,859)	8,208,469
Equipment - Capital leases	175,469	629,595	-	805,064
Construction in progress	-	-	-	-
<b>Total</b>	<b>12,047,939</b>	<b>1,937,088</b>	<b>(285,859)</b>	<b>13,699,168</b>
Net carrying amount	\$ 14,664,136	\$ (1,355,937)	\$ (5,718)	\$ 13,302,481

### Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2003 was as follows:

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

	2002	Component Units		2003
		Additions	Retirements	
Land improvements	\$ 394,397	\$ 3,464	\$ -	\$ 397,861
Buildings	220,014	-	-	220,014
Equipment	<u>274,253</u>	<u>68,811</u>	<u>-</u>	<u>343,064</u>
Total	888,664	72,275	-	960,939
Less accumulated depreciation:				
Land improvements	107,145	67,221	-	174,366
Buildings	9,534	8,801	-	18,335
Equipment	<u>71,288</u>	<u>54,855</u>	<u>-</u>	<u>126,143</u>
Total	<u>187,967</u>	<u>130,877</u>	<u>-</u>	<u>318,844</u>
Net carrying amount	\$ <u>700,697</u>	\$ <u>(58,602)</u>	\$ <u>-</u>	\$ <u>642,095</u>

### Note 7 - Estimated Amounts Due to Third-party Payors (Cost Report Settlements)

Approximately 56 percent of the Hospital's revenue from patient services is received from the Medicare and Medicaid programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these 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. Beginning August 1, 2000, reimbursement for most outpatient services is based on the prospectively determined ambulatory payment classification system. However, the Hospital is held harmless until December 31, 2003, under this new outpatient payment system, should it result in less reimbursement than the payment system in place before August 1, 2000. These hold harmless provisions have been extended to January 1, 2006, under the Medicare Modernization Act of 2003.

### Note 7 - Estimated Amounts Due to Third-party Payors (Cost Report Settlements) (Continued)

- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursement method. The

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

Hospital is reimbursed for outpatient services on an established fee-for-service methodology.

The Medicaid payment system is a prospective one. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying combined financial statements.

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 8 - Long-term Debt**

In 1999, revenue bonds of \$11,500,000 were issued to finance the construction of the Hospital's Health Care Center, an expanded outpatient facility substantially completed in October 1999. Such bonds bear interest at 6.75 percent, with annual principal payments due through December 1, 2029, and are collateralized by all future revenues of the Hospital.

The Hospital is bound by the terms of the bond and trustee agreements to various operational and financial covenants, including maintaining a minimum debt service ratio of 1.2 to 1.

On January 26, 2001, the Hospital obtained \$700,000 of Hospital Facilities Revenue Bonds, Series 2001, to finance the construction of the Edith Brown Pavilion. The bonds are payable in monthly installments of \$13,559, which includes interest at 6.08 percent, beginning February 26, 2001. The bonds were paid off with proceeds from the 2004 bonds.

### **Note 8 - Long-term Debt (Continued)**

On November 29, 2001, PSC obtained a \$215,000 mortgage loan to purchase a medical office building and related property. The mortgage is payable in monthly installments of \$1,583, which includes interest at 6.25 percent, beginning December 29, 2001, and

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

matures in November 2021. The mortgage is secured by the medical office building and property.

On August 13, 2001, PFW obtained a \$560,000 commercial loan to finance the purchase of a physician practice. The loan is payable in monthly installments of \$11,355, which includes interest at 8.0 percent, beginning September 13, 2001, and matures in August 2006. The loan is secured by all business assets of PFW. PFW is bound by the terms of the loan agreements to various operational and financial covenants, including maintaining a minimum debt service ratio of 1.25 to 1.

On August 15, 2004, the Organization obtained \$3,905,000 of Hospital Facilities Revenue and Refunding Bonds, Series 2004, to finance the recladding of the Hospital facilities and to retire the 2001 Series bonds. The bonds are payable in varying annual installments beginning August 1, 2005. The bonds shall mature on August 1, 2024. The interest rate on the variable rate debt was 2.01 percent at December 31, 2004. The debt is collateralized by a letter of credit at Fifth Third Bank with a maximum credit amount of \$3,953,144 at December 31, 2004.

The variable rate 2004 Bonds are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the Bonds based on its best efforts, these Bonds would be "put" back to the Bond Trustee, who would draw down on the letter of credit to pay down the 2004 Bonds. The Reimbursement Agreement between the letter-of-credit bank and the Hospital provides for the Hospital to reimburse the letter-of-credit bank for any remarketing draws within 367 days. The letter of credit expires on August 15, 2007.

The Hospital leases medical equipment used in its operations under capital leases. Such capital leases are due in monthly installments, including interest rates that range from 4.99 percent to 5.82 percent through January 2007, and are collateralized by the equipment leased. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the assets. The assets are depreciated over their related lease terms. Depreciation of assets under capital leases is included in depreciation expense for 2004 and 2003.

The Organization paid interest of approximately \$863,300 in 2004, of which \$11,300 was capitalized. In 2003, the Organization paid interest of approximately \$869,600, none of which was capitalized.

### **Note 8 - Long-term Debt (Continued)**

Long-term debt activity for the year ended December 31, 2004 was as follows:

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

	Beginning Balance	Current Year Additions	Hospital		Ending Balance	Current Portion
			Current Year Reductions			
Leases, bonds, and loans payable:						
Lease obligations	\$ 897,504	\$ -	\$ (300,292)		\$ 597,212	\$ 280,600
Bonds and loans payable	<u>11,267,631</u>	<u>3,905,000</u>	<u>(467,631)</u>		<u>14,705,000</u>	<u>315,000</u>
Total leases, bonds, and loans payable	<u>\$ 12,165,135</u>	<u>\$ 3,905,000</u>	<u>\$ (767,923)</u>		<u>\$ 15,302,212</u>	<u>\$ 595,600</u>
	Beginning Balance	Current Year Additions	Component Units		Ending Balance	Current Portion
Bonds and loans payable	\$ 530,336	\$ -	\$ (120,126)		\$ 410,210	\$ 130,486

Long-term debt activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Current Year Additions	Hospital		Ending Balance	Current Portion
			Current Year Reductions			
Leases, bonds, and loans payable:						
Lease obligations	\$ 1,187,081	\$ -	\$ (289,577)		\$ 897,504	\$ 300,292
Bonds and loans payable	<u>11,556,415</u>	<u>-</u>	<u>(288,784)</u>		<u>11,267,631</u>	<u>297,460</u>
Total leases, bonds, and loans payable	<u>\$ 12,743,496</u>	<u>\$ -</u>	<u>\$ (578,361)</u>		<u>\$ 12,165,135</u>	<u>\$ 597,752</u>
	Beginning Balance	Current Year Additions	Component Units		Ending Balance	Current Portion
Bonds and loans payable	\$ 641,340	\$ -	\$ (111,004)		\$ 530,336	\$ 120,800

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 8 - Long-term Debt (Continued)

The following is a schedule of bond and loan principal and interest and future minimum lease payments as of December 31, 2004:

	Hospital		
	Bonds and Loans Payable	Bonds and Loans Interest	Lease Payable
2005	\$ 315,000	\$ 806,318	\$ 303,971
2006	315,000	791,692	300,835
2007	370,000	777,023	25,069
2008	375,000	758,879	-
2009	380,000	740,635	-
2010-2014	2,275,000	3,401,554	-
2015-2019	2,995,000	2,757,022	-
2020-2024	3,955,000	1,896,225	-
Thereafter	<u>3,725,000</u>	<u>789,750</u>	<u>-</u>
Total payments	<u>\$ 14,705,000</u>	<u>\$ 12,719,098</u>	629,875
Less amount representing interest			<u>(32,663)</u>
Total			<u>\$ 597,212</u>

	Component Units	
	Bonds and Loans Payable	Bonds and Loans Interest
2005	\$ 130,486	\$ 155,253
2006	96,797	111,309
2007	7,614	18,993
2008	8,111	18,993
2009	8,640	18,993
2010-2014	52,437	94,967
2015-2019	71,936	94,967
2020-2024	34,189	36,399
Thereafter	<u>-</u>	<u>-</u>
Total payments	<u>\$ 410,210</u>	<u>\$ 549,874</u>

### Note 8 - Long-term Debt (Continued)

The carrying value of equipment under capital lease obligations is as follows:



# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

	Hospital	
	2004	2003
Cost of equipment under capital lease	\$ 1,514,248	\$ 1,654,778
Less accumulated amortization	<u>1,010,666</u>	<u>805,064</u>
Net carrying amount	<u>\$ 503,582</u>	<u>\$ 849,714</u>

### Note 9 - Accrued Liabilities

The details of accrued liabilities at December 31, 2004 and 2003 are as follows:

	Hospital	
	2004	2003
Payroll and related amounts	\$ 572,493	\$ 422,266
Workers' compensation premiums	324,126	400,218
Professional liability claims (Note 12)	120,000	120,000
Pension	320,261	56,174
Interest	<u>76,152</u>	<u>71,031</u>
Total accrued liabilities	<u>\$ 1,413,032</u>	<u>\$ 1,069,689</u>

	Component Units	
	2004	2003
Payroll and related amounts	\$ 110,709	\$ 93,735
Workers' compensation premiums	1,089	-
Pension	<u>92,262</u>	<u>78,739</u>
Total accrued liabilities	<u>\$ 204,060</u>	<u>\$ 172,474</u>

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 10 - Net Patient Service Revenue

Net patient service revenue consists of the following:

	Hospital	
	2004	2003
Revenue:		
Inpatient services:		
Routine services	\$ 6,351,513	\$ 6,718,064
Ancillary services	14,158,155	14,676,611
Outpatient services	46,883,945	42,791,647
Total patient revenue	67,393,613	64,186,322
Revenue deductions:		
Provision for contractual allowances	24,641,803	23,091,044
Provision for bad debt allowances	3,140,425	2,810,948
Provision for charity care	1,378,163	1,440,284
Total revenue deductions	29,160,391	27,342,276
Total net patient service revenue	<u>\$ 38,233,222</u>	<u>\$ 36,844,046</u>
	Component Units	
	2004	2003
Revenue - Outpatient services	\$ 5,179,674	\$ 4,949,257
Revenue deductions:		
Provision for contractual allowances	1,676,681	1,528,464
Provision for bad debt allowances	120,664	259,555
Total revenue deductions	<u>1,797,345</u>	<u>1,788,019</u>
Total net patient service revenue	<u>\$ 3,382,329</u>	<u>\$ 3,161,238</u>

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 11 - Defined Benefit Pension Plan

**Plan Description** - The Hospital contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and death benefits, annual cost of living adjustments, and postretirement health care benefits to qualifying members of both the traditional and the combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-PERS (7377).

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO), and are actuarially determined. The 2004 member contribution rate for members of local government units was 8.50 percent of their annual covered salary. The 2004 employer contribution rate for local government units was 13.55 percent of covered payroll. The Hospital's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$1,936,226, \$1,800,706, and \$1,759,865, respectively. Required employer contributions for all plans are equal to 100 percent of employer charges and must be extracted from the employer's records.

# Highland County Joint Township Hospital District

## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 11 - Defined Benefit Pension Plan (Continued)

**Postretirement Benefits** - In order to qualify for postretirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 and 2003 employer contribution rate for local government employer units was 13.55 percent of covered payroll. Of this amount, 4.0 percent and 5.0 percent was the portion that was used to fund health care during 2004 and 2003, respectively. The portion of the employer's contribution used to fund postemployment benefits for 2004 and 2003 was \$571,579 and \$664,461, respectively. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

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 the unfunded actuarial-accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. The investment return assumption rate for 2003 was 8.00 percent. An annual increase of 4.00 percent 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 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 percent to 6.00 percent for the next eight years. In subsequent years (nine and beyond), health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate) annually. These assumptions and calculations are based on the system's latest actuarial review performed as of December 31, 2003.

The number of active contributing participants in the traditional and combined plans during 2003 was 369,885. As of December 31, 2003, the actuarial value of the retirement system's net assets available for OPEB was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### Note 11 - Defined Benefit Pension Plan (Continued)

**Health Care Plan** - On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures the OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a retiree medical account that can be used to fund future health care expenses.

### Note 12 - Risk Management

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Organization has purchased commercial insurance for malpractice, general liability, and employee medical claims.

The Organization is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Organization bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims exceeding \$3,000,000, for claims asserted in the policy year. In addition, the Organization has an umbrella policy with an additional \$5,000,000 of coverage.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Organization is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as a current expense.

# Highland County Joint Township Hospital District

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## Notes to Combined Financial Statements December 31, 2004 and 2003

### **Note 12 - Risk Management (Continued)**

The Organization is exposed to various risks of loss related to property and general losses, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Hospital has purchased commercial insurance and/or participated in state-sponsored plans for coverage of these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 13 - Litigation**

In 2000, the Hospital filed a countersuit against the constructor and a third-party complaint against the architect, construction manager, and manufacturer of the cladding used on the Health Care Center addition. The countersuit was filed in response to a suit filed by the general contractor of the Health Care Center for nonpayment. The suits filed by the Hospital were based on the substantial damages caused to the Hospital's property because of defects in the design and construction of the Health Care Center addition. In January 2002, the Hospital reached a settlement with the construction manager for \$200,000. The amount of the contract with these parties for the original construction that remains unpaid has been accrued as of December 31, 2003. In March 2004, a settlement was reached with all remaining parties. Total proceeds received as part of the settlement in 2004 were \$1,317,617. All settlements were recorded when received, net of the correlated asset write-down of \$639,903, for a net gain of \$677,714.

### **Note 14 - Commitment**

As of December 31, 2004, the Hospital's replacement of the cladding used on the Health Care Center addition was underway. The project is expected to be completed in mid-2005. The total estimated cost of the capital project is \$3.7 million. The Hospital is financing the total cost of the renovations and expansion with funds from the 2004 bond financing. Approximately \$2.0 million has been incurred on the project as of December 31, 2004, leaving an estimated \$1.7 million remaining commitment at year end.

## **Additional Information**

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To the Joint Township Hospital District Board  
of Trustees and Hospital Board of Governors  
Highland County Joint Township Hospital District  
and Subsidiaries  
Hillsboro, Ohio

We have audited the financial statements of Highland County Joint Township Hospital District as of December 31, 2004. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the accompanying schedules on pages 43-50 is presented for the purpose of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual components and is not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 21, 2005



# Highland County Joint Township Hospital District

## Combining Balance Sheet Accounts December 31, 2004

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 7,569,261	\$ 551	\$ 39,188	\$ 22,977	\$ 93,193	\$ -	\$ 7,725,170
Assets limited as to use - Current portion	1,186,827	-	-	-	-	-	1,186,827
Patient accounts receivable - Net	4,188,218	-	186,294	107,378	-	-	4,481,890
Intercompany receivable	226,267	-	-	-	-	(226,267)	-
Inventories	354,945	-	-	-	-	-	354,945
Prepaid expenses and other current assets	530,182	-	78,321	79,919	-	-	688,422
Accrued interest receivable	5,006	-	-	-	-	-	5,006
Notes and grants receivable - Current portion	250,073	-	-	-	-	-	250,073
Other receivables	239,099	-	1,301	268	5,425	(5,425)	240,668
Total current assets	14,549,878	551	305,104	210,542	98,618	(231,692)	14,933,001
<b>Assets Limited as to Use</b>							
Restricted by contributors for capital improvements and other purposes	847,649	-	-	-	39,144	-	886,793
Principal of permanent endowments	-	-	-	-	11,210	-	11,210
Designated by Board for capital improvements and employee benefits	1,391,541	-	-	-	-	-	1,391,541
Held by Trustee under bond indenture agreements	3,728,515	-	-	-	-	-	3,728,515
Total assets limited as to use	5,967,705	-	-	-	50,354	-	6,018,059
Less amounts to meet current obligations	(1,186,827)	-	-	-	-	-	(1,186,827)
Total assets limited to use - Noncurrent portion	4,780,878	-	-	-	50,354	-	4,831,232
Capital Assets - Net	13,755,193	-	529,510	10,579	-	-	14,295,282
<b>Other Assets</b>							
Notes and grants receivable - Net of current portion	127,639	-	-	-	-	-	127,639
Intangible assets	-	-	-	237,000	-	-	237,000
Unamortized financing costs - Net	202,346	-	-	887	-	-	203,233
Other investments	100,000	84,433	-	-	-	(184,433)	-
Total other assets	429,985	84,433	-	237,887	-	(184,433)	567,872
Total assets	<b>\$ 33,515,934</b>	<b>\$ 84,984</b>	<b>\$ 834,614</b>	<b>\$ 459,008</b>	<b>\$ 148,972</b>	<b>\$ (416,125)</b>	<b>\$ 34,627,387</b>

# Highland County Joint Township Hospital District

## Combining Balance Sheet Accounts (Continued) December 31, 2004

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 595,600	\$ -	\$ 6,710	\$ 123,776	\$ -	\$ -	\$ 726,086
Accounts payable - Trade	882,907	-	120,915	5,121	-	-	1,008,943
Intercompany payable	-	-	225,959	-	-	(225,959)	-
Accounts payable - Construction	591,227	-	-	-	-	-	591,227
Accrued liabilities	1,413,032	-	122,478	81,582	-	-	1,617,092
Estimated amounts due to third-party payors	853,933	-	-	-	-	-	853,933
Total current liabilities	4,336,699	-	476,062	210,479	-	(225,959)	4,797,281
<b>Compensated Absenses</b>	1,008,519	-	10,838	6,518	-	-	1,025,875
<b>Long-term Debt - Net of current portion</b>	14,706,612	-	190,075	89,649	-	-	14,986,336
<b>Net Assets</b>							
Invested in capital assets - Net of related debt	766,277	-	332,725	10,579	-	-	1,109,581
Restricted:							
Expendable for capital improvements and other purposes	847,647	-	-	-	39,144	-	886,791
Nonexpendable permanent endowments	-	-	-	-	11,210	-	11,210
Unrestricted	11,850,180	84,984	(175,086)	141,783	98,618	(190,166)	11,810,313
Total net assets	13,464,104	84,984	157,639	152,362	148,972	(190,166)	13,817,895
Total liabilities and net assets	<b>\$ 33,515,934</b>	<b>\$ 84,984</b>	<b>\$ 834,614</b>	<b>\$ 459,008</b>	<b>\$ 148,972</b>	<b>\$ (416,125)</b>	<b>\$ 34,627,387</b>

# Highland County Joint Township Hospital District

## Combining Balance Sheet Accounts December 31, 2003

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 2,880,548	\$ 633	\$ 69,515	\$ 20,979	\$ 27,102	\$ -	\$ 2,998,777
Assets limited as to use - Current portion	673,826	-	-	-	-	-	673,826
Patient accounts receivable - Net	5,700,383	-	475,855	103,288	-	-	6,279,526
Intercompany receivable	434,321	-	-	-	-	(434,321)	-
Inventories	446,278	-	-	-	-	-	446,278
Prepaid expenses and other current assets	301,424	-	57,997	66,868	-	-	426,289
Accrued interest receivable	13,605	-	-	-	-	-	13,605
Notes and grants receivable - Current portion	293,088	-	-	-	-	-	293,088
Other receivables	287,497	-	1,000	2,507	5,425	(5,425)	291,004
Total current assets	11,030,970	633	604,367	193,642	32,527	(439,746)	11,422,393
<b>Assets Limited as to Use</b>							
Restricted by contributors for capital improvements and other purposes	838,874	-	-	-	17,425	-	856,299
Principal of permanent endowments	-	-	-	-	11,210	-	11,210
Designated by Board for capital improvements and employee benefits	1,367,534	-	-	-	-	-	1,367,534
Held by Trustee under bond indenture agreements	1,321,735	-	-	-	-	-	1,321,735
Total assets limited as to use	3,528,143	-	-	-	28,635	-	3,556,778
Less amounts to meet current obligations	(673,826)	-	-	-	-	-	(673,826)
Total assets limited to use - Noncurrent portion	2,854,317	-	-	-	28,635	-	2,882,952
<b>Capital Assets - Net</b>	13,302,481	-	625,442	16,653	-	-	13,944,576
<b>Other Assets</b>							
Notes and grants receivable - Net of current portion	304,386	-	-	-	-	-	304,386
Intangible assets	-	-	35,000	273,000	-	-	308,000
Unamortized financing costs - Net	107,235	-	-	1,447	-	-	108,682
Other investments	100,000	84,433	-	-	-	(184,433)	-
Total other assets	511,621	84,433	35,000	274,447	-	(184,433)	721,068
<b>Total assets</b>	<b>\$ 27,699,389</b>	<b>\$ 85,066</b>	<b>\$ 1,264,809</b>	<b>\$ 484,742</b>	<b>\$ 61,162</b>	<b>\$ (624,179)</b>	<b>\$ 28,970,989</b>

# Highland County Joint Township Hospital District

## Combining Balance Sheet Accounts (Continued) December 31, 2003

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 597,752	\$ -	\$ 6,510	\$ 114,290	\$ -	\$ -	\$ 718,552
Accounts payable - Trade	1,336,775	-	127,564	6,050	-	308	1,470,697
Intercompany payable	-	-	434,321	-	-	(434,321)	-
Accounts payable - Construction	76,074	-	-	-	-	-	76,074
Accrued liabilities	1,069,689	-	98,030	74,444	-	-	1,242,163
Estimated amounts due to third-party payors	590,685	-	-	-	-	-	590,685
Total current liabilities	3,670,975	-	666,425	194,784	-	(434,013)	4,098,171
<b>Compensated Absenses</b>	946,186	-	9,847	7,691	-	-	963,724
<b>Long-term Debt - Net of current portion</b>	11,567,383	-	196,548	212,988	-	-	11,976,919
<b>Net Assets</b>							
Invested in capital assets - Net of related debt	1,137,346	-	422,384	16,653	-	-	1,576,383
Restricted							
Expendable for capital improvements and other purposes	838,874	-	-	-	17,425	-	856,299
Nonexpendable permanent endowments	-	-	-	-	11,210	-	11,210
Unrestricted	9,538,625	85,066	(30,395)	52,626	32,527	(190,166)	9,488,283
Total net assets	11,514,845	85,066	391,989	69,279	61,162	(190,166)	11,932,175
Total liabilities and net assets	<b>\$ 27,699,389</b>	<b>\$ 85,066</b>	<b>\$ 1,264,809</b>	<b>\$ 484,742</b>	<b>\$ 61,162</b>	<b>\$ (624,179)</b>	<b>\$ 28,970,989</b>

# Highland County Joint Township Hospital District

## Combining Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	HDH			HJTDH			Total
	Hospital	Foundation	PSC	PFW	Foundation	Eliminating	
<b>Net Patient Service Revenue</b>	\$ 38,233,222	\$ -	\$ 1,992,366	\$ 1,389,963	\$ -	\$ (561,741)	\$ 41,053,810
<b>Other Operating Revenue</b>	331,829	-	1,513	554	145,645	(22,900)	456,641
Total operating revenue	38,565,051	-	1,993,879	1,390,517	145,645	(584,641)	41,510,451
<b>Operating Expenses</b>							
Salaries and wages	14,558,493	-	1,640,000	1,148,985	-	-	17,347,478
Employee benefits	4,969,735	-	341,383	168,683	-	-	5,479,801
Supplies	5,186,419	-	70,090	45,577	-	-	5,302,086
Purchased services	4,415,314	-	583,643	8,030	-	(1,655)	5,005,332
Physician fees	2,111,324	-	286,000	-	-	(561,741)	1,835,583
Depreciation	1,863,281	-	130,710	42,634	-	-	2,036,625
Professional fees	444,245	-	-	-	-	-	444,245
Utilities	782,535	-	76,589	32,352	-	-	891,476
Insurance	542,086	-	24,006	33,284	-	-	599,376
Other	308,238	92	302,906	271,056	59,021	(31,636)	909,677
Total operating expenses	35,181,670	92	3,455,327	1,750,601	59,021	(595,032)	39,851,679
<b>Income (Loss) from Operations</b>	3,383,381	(92)	(1,461,448)	(360,084)	86,624	10,391	1,658,772
<b>Nonoperating Gains (Losses)</b>							
Investment income	89,958	-	-	-	1,186	-	91,144
Interest earnings on restricted assets	8,775	-	-	-	-	-	8,775
Interest expense	(816,818)	-	(12,720)	(22,404)	-	-	(851,942)
Gain on disposal of assets	678,065	-	-	-	-	-	678,065
Other nonoperating gains	295,898	10	14,818	571	-	(10,391)	300,906
Total nonoperating gains	255,878	10	2,098	(21,833)	1,186	(10,391)	226,948
<b>Excess of Revenue Over (Under) Expenses</b>	3,639,259	(82)	(1,459,350)	(381,917)	87,810	-	1,885,720
<b>Transfer from (to) Affiliates</b>	(1,690,000)	-	1,225,000	465,000	-	-	-
<b>Increase (Decrease) in Net Assets</b>	1,949,259	(82)	(234,350)	83,083	87,810	-	1,885,720
<b>Net Assets - Beginning of year</b>	11,514,845	85,066	391,989	69,279	61,162	(190,166)	11,932,175
<b>Net Assets - End of year</b>	<b>\$ 13,464,104</b>	<b>\$ 84,984</b>	<b>\$ 157,639</b>	<b>\$ 152,362</b>	<b>\$ 148,972</b>	<b>\$ (190,166)</b>	<b>\$ 13,817,895</b>

# Highland County Joint Township Hospital District

## Combining Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	HDH			HJTDH			Total
	Hospital	Foundation	PSC	PFW	Foundation	Eliminating	
<b>Net Patient Service Revenue</b>	\$ 36,844,046	\$ -	\$ 1,794,775	\$ 1,366,463	\$ -	\$ (473,789)	\$ 39,531,495
<b>Other Operating Revenue</b>	<u>268,920</u>	<u>-</u>	<u>209</u>	<u>256</u>	<u>143,259</u>	<u>(80,518)</u>	<u>332,126</u>
Total operating revenue	37,112,966	-	1,794,984	1,366,719	143,259	(554,307)	39,863,621
<b>Operating Expenses</b>							
Salaries and wages	13,483,719	-	1,642,538	1,170,247	-	-	16,296,504
Employee benefits	4,753,172	-	324,472	190,683	-	-	5,268,327
Supplies	4,913,012	-	87,449	47,328	3,003	-	5,050,792
Purchased services	4,681,825	-	517,079	69,764	-	(20,546)	5,248,122
Physician fees	2,205,961	-	294,333	-	-	(473,789)	2,026,505
Depreciation	1,959,988	-	158,780	43,659	-	-	2,162,427
Professional fees	384,285	-	-	-	-	-	384,285
Utilities	722,679	-	76,555	38,641	-	-	837,875
Insurance	506,321	611	19,155	28,106	535	-	554,728
Other	<u>257,344</u>	<u>49</u>	<u>392,535</u>	<u>336,783</u>	<u>99,925</u>	<u>(80,518)</u>	<u>1,006,118</u>
Total operating expenses	<u>33,868,306</u>	<u>660</u>	<u>3,512,896</u>	<u>1,925,211</u>	<u>103,463</u>	<u>(574,853)</u>	<u>38,835,683</u>
<b>Income (Loss) from Operations</b>	3,244,660	(660)	(1,717,912)	(558,492)	39,796	20,546	1,027,938
<b>Nonoperating Gains (Losses)</b>							
Investment income	57,851	-	-	-	-	-	57,851
Interest earnings on restricted assets	9,141	-	-	-	-	-	9,141
Interest expense	(825,394)	-	(13,073)	(31,177)	-	-	(869,644)
Gain on disposal of assets	1,995	-	-	-	-	-	1,995
Other nonoperating gains	<u>302,963</u>	<u>166</u>	<u>24,705</u>	<u>2,304</u>	<u>1,093</u>	<u>(20,546)</u>	<u>310,685</u>
Total nonoperating gains (losses)	<u>(453,444)</u>	<u>166</u>	<u>11,632</u>	<u>(28,873)</u>	<u>1,093</u>	<u>(20,546)</u>	<u>(489,972)</u>
<b>Excess of Revenue Over (Under) Expenses</b>	2,791,216	(494)	(1,706,280)	(587,365)	40,889	-	537,966
<b>Transfer from (to) Affiliates</b>	<u>(2,270,000)</u>	<u>-</u>	<u>1,554,333</u>	<u>715,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	521,216	(494)	(151,947)	128,302	40,889	-	537,966
<b>Net Assets - Beginning of year</b>	<u>10,993,629</u>	<u>85,560</u>	<u>543,936</u>	<u>(59,023)</u>	<u>20,273</u>	<u>(190,166)</u>	<u>11,394,209</u>
<b>Net Assets - End of year</b>	<u>\$ 11,514,845</u>	<u>\$ 85,066</u>	<u>\$ 391,989</u>	<u>\$ 69,279</u>	<u>\$ 61,162</u>	<u>\$ (190,166)</u>	<u>\$ 11,932,175</u>

# Highland County Joint Township Hospital District

## Combining Statement of Cash Flows Year Ended December 31, 2004

	Hospital	HDH Foundation	PSC	PFW	HJTDH Foundation	Eliminations	Total
<b>Cash Flows from Operating and Nonoperating Activities</b>							
Cash received from patients and third-party payors	\$ 39,564,390	\$ -	\$ 2,281,927	\$ 1,385,873	\$ -	\$ -	\$ 43,232,190
Cash payments to suppliers for services and goods	(13,729,155)	(92)	(1,370,207)	(404,279)	(59,021)	10,391	(15,552,363)
Cash payments to employees for services	(19,127,673)	-	(2,164,306)	(1,311,703)	-	-	(22,603,682)
Other operating revenue received	380,227	-	1,212	2,793	145,645	-	529,877
Net cash provided by (used in) operating and nonoperating activities	7,087,789	(92)	(1,251,374)	(327,316)	86,624	10,391	5,606,022
<b>Cash Flows from Capital and Related Financing Activities</b>							
Acquisition and construction of capital assets	(2,503,817)	-	-	-	-	-	(2,503,817)
Principal payments on bonds and notes	(467,631)	-	(6,273)	(113,853)	-	-	(587,757)
Interest paid on long-term debt	(811,697)	-	(12,720)	(22,404)	-	-	(846,821)
Issuance of long-term debt	3,905,000	-	-	-	-	-	3,905,000
Bond issuance costs	(104,610)	-	-	-	-	-	(104,610)
Principal payments on capital leases	(300,292)	-	-	-	-	-	(300,292)
Proceeds from sale of capital assets	1,390,541	-	222	-	-	-	1,390,763
Net cash provided by (used in) capital and related financing activities	1,107,494	-	(18,771)	(136,257)	-	-	952,466
<b>Cash Flows from Investing Activities</b>							
Advances to physicians - Net of forgiveness	219,762	-	-	-	-	-	219,762
Income received on investments	98,557	-	-	-	1,186	-	99,743
Income from other nonoperating gains	295,898	10	14,818	571	-	(10,391)	300,906
Transfer to (from) affiliates	(1,690,000)	-	1,225,000	465,000	-	-	-
Purchases of investments	(5,060,790)	-	-	-	-	-	(5,060,790)
Proceeds from sale of investments	5,883,330	-	-	-	-	-	5,883,330
Net cash provided by (used in) investing activities	(253,243)	10	1,239,818	465,571	1,186	(10,391)	1,442,951
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,942,040	(82)	(30,327)	1,998	87,810	-	8,001,439
<b>Cash and Cash Equivalents - Beginning of year</b>	3,091,859	633	69,515	20,979	55,737	-	3,238,723
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 11,033,899</b>	<b>\$ 551</b>	<b>\$ 39,188</b>	<b>\$ 22,977</b>	<b>\$ 143,547</b>	<b>\$ -</b>	<b>\$ 11,240,162</b>

# Highland County Joint Township Hospital District

## Combining Statement of Cash Flows Year Ended December 31, 2003

	Hospital	HDH Foundation	PSC	PFW	HITDH Foundation	Eliminations	Total
<b>Cash Flows from Operating and Nonoperating Activities</b>							
Cash received from patients and third-party payors	\$ 36,046,916	\$ -	\$ 1,765,323	\$ 1,384,385	\$ -	\$ -	\$ 39,196,624
Cash payments to suppliers for services and goods	(13,333,858)	(660)	(1,381,001)	(599,280)	(103,463)	35,339	(15,382,923)
Cash payments to employees for services	(18,046,597)	-	(1,928,078)	(1,370,373)	-	(14,793)	(21,359,841)
Other operating revenue received	55,066	-	7,543	(2,251)	143,259	-	203,617
Net cash provided by (used in) operating and nonoperating activities	4,721,527	(660)	(1,536,213)	(587,519)	39,796	20,546	2,657,477
<b>Cash Flows from Capital and Related Financing Activities</b>							
Acquisition and construction of capital assets	(581,151)	-	(72,275)	-	-	-	(653,426)
Principal payments on bonds and notes	(288,784)	-	(5,920)	(105,084)	-	-	(399,788)
Interest paid on long-term debt	(826,238)	-	(13,073)	(31,177)	-	-	(870,488)
Principal payments on capital leases	(289,577)	-	-	-	-	-	(289,577)
Proceeds from sale of capital assets	7,713	-	-	-	-	-	7,713
Net cash used in capital and related financing activities	(1,978,037)	-	(91,268)	(136,261)	-	-	(2,205,566)
<b>Cash Flows from Investing Activities</b>							
Advances to physicians - Net of forgiveness	277,674	-	-	-	-	-	277,674
Income received on investments	65,677	-	-	-	-	-	65,677
Income from other nonoperating gains	302,963	166	24,705	2,304	1,093	(20,546)	310,685
Transfer to (from) affiliates	(2,270,000)	-	1,554,333	715,667	-	-	-
Purchases of investments	(7,234,776)	-	-	-	-	-	(7,234,776)
Proceeds from sale of investments	7,190,572	-	-	-	-	-	7,190,572
Net cash provided by (used in) investing activities	(1,667,890)	166	1,579,038	717,971	1,093	(20,546)	609,832
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,075,600	(494)	(48,443)	(5,809)	40,889	-	1,061,743
<b>Cash and Cash Equivalents - Beginning of year</b>	2,016,259	1,127	117,958	26,788	14,848	-	2,176,980
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,091,859</b>	<b>\$ 633</b>	<b>\$ 69,515</b>	<b>\$ 20,979</b>	<b>\$ 55,737</b>	<b>\$ -</b>	<b>\$ 3,238,723</b>



# Highland County Joint Township Hospital District

## Master Document

FIELD	VALUES
Company Name (Headings)	Highland County Joint Township Hospital District
Company Name (Text)	Highland County Joint Township Hospital District
D/B/A	Hospital
Year End	December 31, 2004
Prior Year	December 31, 2003
2 Year Prior	December 31, 2002
Opinion Date	Opinion Date
Comparative Date	December 31, 2004 and 2003
A2004	2004
A2003	2003
A2002	2002
A2001	2001



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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Joint Township Hospital Board of Trustees  
and Hospital Board of Governors  
Highland County Joint Hospital District and Subsidiaries

We have audited the financial statements of Highland County Joint Hospital District and subsidiaries as of and for the year ended December 31, 2004, and have issued our report thereon dated February 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Highland County Joint Hospital District'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 Highland County Joint Hospital District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Joint Township Hospital Board of Trustees  
and Hospital Board of Governors  
Highland County Joint Hospital District and Subsidiaries

We have issued a letter of recommendations to management regarding certain financial operating and efficiency matters. This report is intended solely for the information and use of the auditor of the State of Ohio, the board of trustees, the Board of Governors of Highland County Joint Hospital District, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

February 21, 2005





**Auditor of State  
Betty Montgomery**

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800-282-0370  
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**HIGHLAND COUNTY JOINT TOWNSHIP HOSPITAL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 2, 2005**