

Paulding County Hospital

**Financial Report
with Additional Information
December 31, 2004**



**Auditor of State
Betty Montgomery**

Board of Directors
Paulding County Hospital
1035 West Wayne Street
Paulding, Ohio 45879

We have reviewed the *Independent Auditor's Report* of the Paulding County Hospital, 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 Paulding County Hospital 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 16, 2005

This Page is Intentionally Left Blank.

Paulding County Hospital

Contents

Independent Auditor's Report	I
Management's Discussion and Analysis	2-10
Financial Statements	
Balance Sheet	11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-28
Additional Information	29
Report on Compliance with Laws and Regulations and Internal Control	30-31

This Page is Intentionally Left Blank.

Independent Auditor's Report

To the Board of Directors
Paulding County Hospital

We have audited the accompanying balance sheet of Paulding County Hospital as of December 31, 2004 and 2003 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paulding County Hospital at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 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 audits.

The management's discussion and analysis is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Paulding County Hospital. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information; however, we did not audit the information and express no opinion on it.

Alante & Moran, PLLC

March 3, 2005

Paulding County Hospital

Management's Discussion and Analysis

Management's Discussion and Analysis

The management's discussion and analysis of Paulding County Hospital's financial statements provide an overview of the Hospital's financial activities for the year ended

December 31, 2004. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with the management's discussion and analysis.

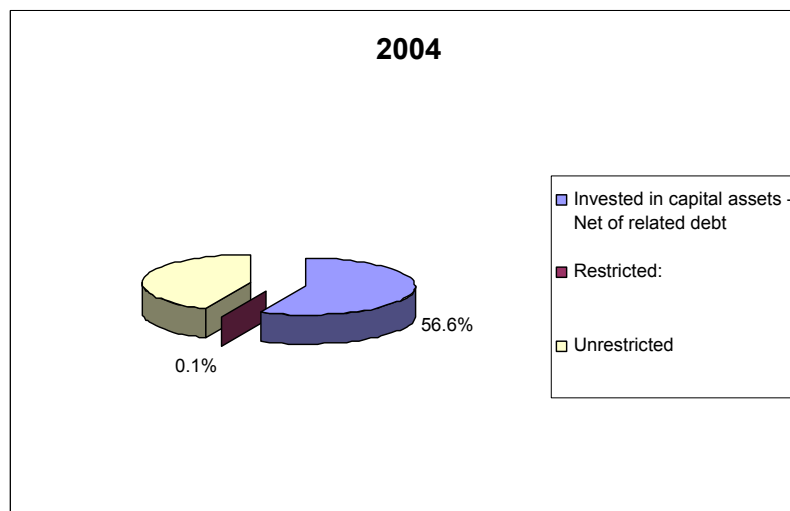
Using this Annual Report

The Hospital's financial statement consists 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 slightly during the year ended December 31, 2004. The current assets increased by \$260,330, or 7.7 percent, from the prior year. In total, the Hospital's net assets increased \$117,473, or 1.0 percent, from the previous year. The increase in net assets resulted from increases in patient revenue, driven largely by outpatient volumes.

The following chart provides a breakdown of net assets by category as of December 31, 2004:



For the year ended December 31, 2004, the Hospital's revenues and other support exceeded expenses, creating an increase in net assets of \$117,473 (compared to a \$200,253 increase in the previous year).

Paulding County Hospital

Management's Discussion and Analysis (Continued)

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the Hospital's finances is "Is Paulding County Hospital as a whole better off or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net assets report information on the Hospital as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Paulding County Hospital's operating results.

These two statements report the Hospital's net assets and changes in them. You can think of Paulding County Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend in patient days, outpatient visits, conditions of the buildings, and strength of the medical staff, to assess the overall health of the Hospital.

The financial statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Paulding County Hospital

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following is a comparative analysis of the major components of net assets of the Hospital as of December 31, 2004 and 2003:

	Year Ended December 31		Change	
	2004	2003	Amount	Percent
Assets				
Current assets	\$ 3,629,295	\$ 3,368,965	\$ 260,330	7.7%
Noncurrent assets	3,796,850	4,006,487	(209,637)	-5.2%
Capital assets	<u>8,768,757</u>	<u>7,432,123</u>	<u>1,336,634</u>	18.0%
Total assets	16,194,902	14,807,575	1,387,327	9.4%
Liabilities				
Current liabilities	2,092,816	1,839,926	252,890	13.8%
Long-term liabilities	<u>1,621,100</u>	<u>604,136</u>	<u>1,016,964</u>	168.3%
Total liabilities	<u>3,713,916</u>	<u>2,444,062</u>	<u>1,269,854</u>	52.0%
Net Assets				
Invested in capital assets – Net of debt	7,069,157	6,830,653	238,504	3.5%
Restricted assets	13,768	13,754	14	0.1%
Unrestricted	<u>5,398,061</u>	<u>5,519,106</u>	<u>(121,045)</u>	-2.2%
Total net assets	<u>\$ 12,480,986</u>	<u>\$ 12,363,513</u>	<u>\$ 117,473</u>	1.0%

Current assets increased as a result of the Hospital continuing to improve in converting its accounts receivable into cash (net days in accounts receivable decreased by eight days from the prior year).

Noncurrent assets decreased due to utilizing board-designated funds to finance part of the medical office building project.

Capital assets increased due to the construction of the medical office building.

Total liabilities increased resulting from the financing on the \$1,400,000 medical office building project.

Paulding County Hospital

Management's Discussion and Analysis (Continued)

Operating Results for the Year

	Year Ended December 31		Change	
	2004	2003	Amount	Percent
Operating Revenue				
Net patient service revenue	\$ 14,677,596	\$ 14,287,820	\$ 389,776	2.7%
Other	179,365	170,425	8,940	5.2%
Total operating revenue	14,856,961	14,458,245	398,716	2.8%
Operating Expenses				
Salaries and wages	7,186,360	6,820,816	365,544	5.4%
Employee benefits	2,021,653	2,189,492	(167,839)	-7.7%
Professional fees	377,846	350,056	27,790	7.9%
Supplies and other expenses	3,145,332	2,936,663	208,669	7.1%
Purchased services	1,176,365	1,175,000	1,365	0.1%
Depreciation	861,848	866,049	(4,201)	-0.5%
Total operating expenses	14,769,404	14,338,076	431,328	3.0%
Income from Operations	87,557	120,169	(32,612)	-27.1%
Other Income (Expenses)				
Investment income	59,062	101,303	(42,241)	-41.7%
Interest earnings on restricted assets	14	49	(35)	-71.4%
Interest	(29,990)	(47,989)	17,999	-37.5%
Contributions	49,997	41,622	8,375	20.1%
Other	(49,167)	(14,901)	(34,266)	230.0%
Total other income	29,916	80,084	(50,168)	-62.6%
Increase in Net Assets	117,473	200,253	\$ (82,780)	-41.3%
Net Assets - Beginning of year	12,363,513	12,163,260		
Net Assets - End of year	\$ 12,480,986	\$ 12,363,513		

Paulding County Hospital

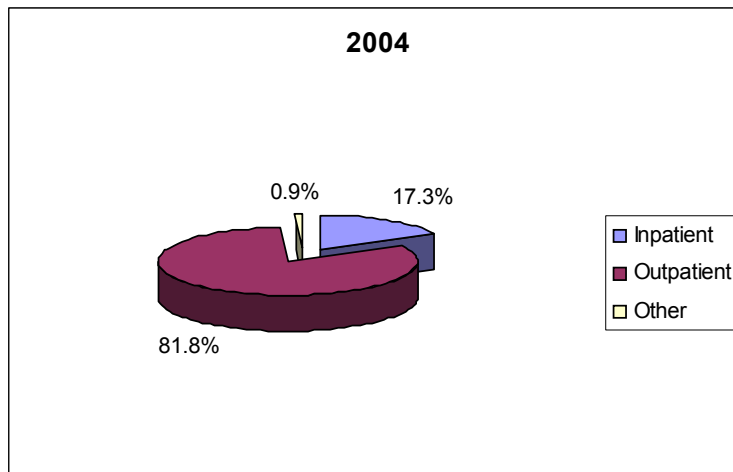
Management's Discussion and Analysis (Continued)

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 2.7 percent. This was attributable to an 8.6 percent increase in outpatient revenues and an 18.9 percent increase in inpatient revenues. Gross patient revenue is reduced by revenue deductions. These deductions are the amounts that are not paid to the Hospital under contractual arrangements with primarily Medicare, Medicaid, and Anthem. These revenue deductions increased from 22.9 percent to 27.2 percent as a percentage of gross revenue.
- The following is a graphic illustration of operating revenues by source:



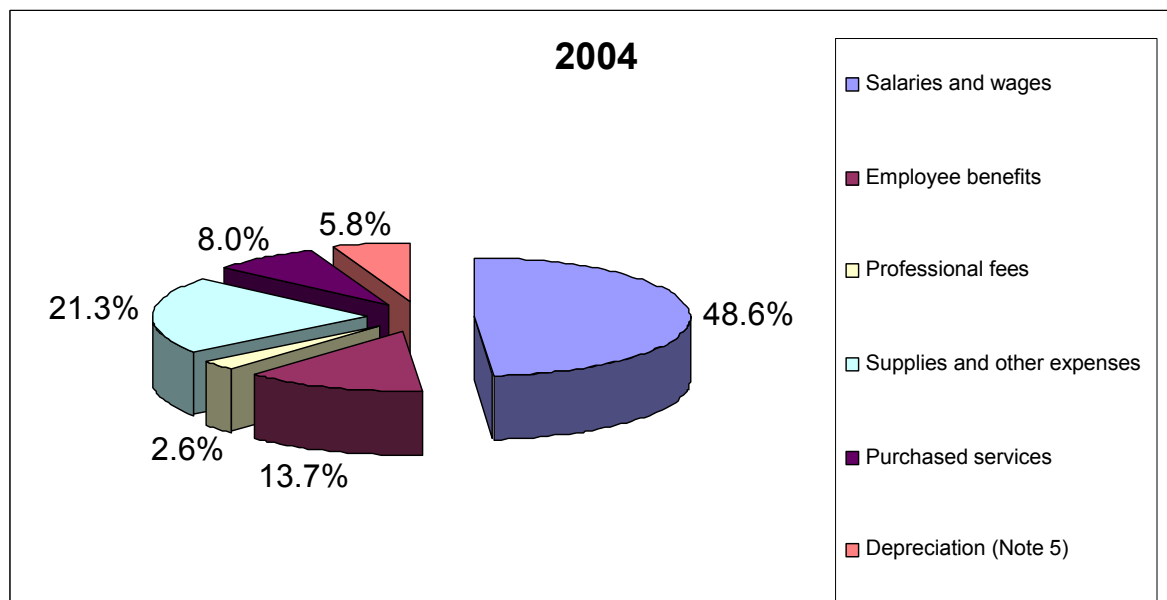
Paulding County Hospital

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 cost increased 5.4 percent as a result of additional employed physicians. Patient care salaries also increased as a result of higher inpatient and outpatient volumes.
- Employee benefits decreased 7.7 percent reflecting fewer self-funded health insurance claims. Bureau of Workers Compensation premiums also decreased.
- Supply expenses increased by 7.1 percent as a result of increased patient volumes.
- The following is a graphic illustration of operating expenses by type:



Nonoperating Gains (Losses)

Nonoperating gains and losses are all sources and uses that are primarily non-exchange in nature. They would consist primarily of investment income (including realized and unrealized gains and losses), interest expense, and grants and contracts that do not require any services to be performed.

The category "other" within nonoperating gains (losses) consists of items that are typically nonrecurring or unusual to the Hospital. Examples would be capital grants, additions to permanent endowments, and transfers from related entities.

There were three significant "other" nonoperating transactions. In 2003, a noncollectible physician note in the amount of \$254,223 was written off to expense. Also in 2003, the Hospital recovered \$241,560 in Oakwood Bank losses, and, in 2004, \$21,531 was recovered.

Paulding County Hospital

Management's Discussion and Analysis (Continued)

Statement of Cash Flows

Another way to assess the financial health of a Hospital is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Hospital during the reporting period. The statement of cash flows also helps assess:

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

	2004	2003	Increase (Decrease)
Net cash from:			
Operating and nonoperating activities	\$ 1,739,120	\$ 962,935	\$ 776,185
Investing activities	47,983	400,078	(352,095)
Noncapital and related financing activities	49,997	41,622	8,375
Capital and related financing activities	<u>(1,171,013)</u>	<u>(1,087,595)</u>	<u>(83,418)</u>
Net Increase in Cash	666,087	317,040	349,047
Cash - Beginning of year	<u>4,358,079</u>	<u>4,041,039</u>	<u>317,040</u>
Cash - End of year	<u>\$ 5,024,166</u>	<u>\$ 4,358,079</u>	<u>\$ 666,087</u>

The Hospital's liquidity improved during the year. The following discussion amplifies the overview of cash flows presented above.

Cash provided by operating and nonoperating activities increased \$776,185 over the prior year. This was primarily as a result of decreasing of accounts receivable by eight days. Cash received from investing activities decreased as a result of lower interest rates and recoveries in Oakwood Bank write-offs.

Paulding County Hospital

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets - At December 31, 2004, the Hospital had \$8.8 million invested in capital assets, net of accumulated depreciation of \$10 million. Depreciation and amortization totaled \$861,848 for the current year compared to \$ 866,049 last year. Details of these assets for the past two years are shown below:

	2004	2003	Increase (Decrease)
Land	\$ 30,609	\$ 30,609	\$ -
Land improvements	63,301	71,675	(8,374)
Buildings and improvements	5,119,501	5,538,735	(419,234)
Furniture, fixtures, and equipment	1,400,595	1,696,517	(295,922)
Construction in process	2,154,751	94,587	2,060,164
Total	<u>\$ 8,768,757</u>	<u>\$ 7,432,123</u>	<u>\$ 1,336,634</u>

Debt - At year end, the Hospital had \$2,087,536 in debt outstanding as compared to \$922,118 the previous year. The table below summarizes these amounts by type of debt instrument:

	2004	2003	Increase (Decrease)
Lease obligations	\$ 318,470	\$ 569,238	\$ (250,768)
Note payable	1,381,130	32,232	1,348,898
Compensated absences	387,936	320,648	67,288
Total long-term liabilities	<u>\$ 2,087,536</u>	<u>\$ 922,118</u>	<u>\$ 1,165,418</u>

In the past, the Hospital has been generally debt-averse. In 2004, the Hospital has incurred debt of \$1,400,000 for construction of a medical office building.

Paulding County Hospital

Management's Discussion and Analysis (Continued)

Economic Factors That Will Affect the Future

The economic position of Paulding County Hospital is closely tied to that of the local economy. Job market growth in the community is anticipated to increase with the relocation plans for U.S. Highway 24. In addition, the board of trustees approved an average increase of 5.5 percent in the charge structure for the upcoming fiscal year.

Contacting the Hospital's Management

This financial report is intended to provide our county and bondholders with a general overview of the Hospital's finances, and to show the Hospital's accountability for the money it had received in the past. If you have questions about this report or need additional information, we welcome you to contact the Chief Financial Officer.

Robert L. Goshia, II
Chief Financial Officer

Paulding County Hospital

Balance Sheet

	December 31, 2004	December 31, 2003
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 1,259,117	\$ 379,014
Accounts receivable (Note 3)	1,646,325	1,916,145
Notes receivable	13,378	15,160
Third-party settlements (Note 8)	38,545	447,795
Prepaid expenses	165,616	145,086
Inventory	434,616	380,795
Other current assets	71,698	84,970
Total current assets	3,629,295	3,368,965
Assets Limited as to Use (Note 4)	3,796,850	4,006,487
Capital Assets - Net (Note 5)	8,768,757	7,432,123
Total assets	\$ 16,194,902	\$ 14,807,575
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 6)	\$ 379,400	\$ 271,974
Accounts payable	633,798	676,779
Accrued liabilities and other (Note 7)	1,079,618	891,173
Total current liabilities	2,092,816	1,839,926
Long-term Debt (Note 6)	1,320,200	329,496
Other Liabilities (Note 6)	300,900	274,640
Total liabilities	3,713,916	2,444,062
Net Assets		
Invested in capital assets - Net of related debt	7,069,157	6,830,653
Restricted - Expendable for education and other purposes	13,768	13,754
Unrestricted	5,398,061	5,519,106
Total net assets	12,480,986	12,363,513
Total liabilities and net assets	\$ 16,194,902	\$ 14,807,575

Paulding County Hospital

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended	
	December 31, 2004	December 31, 2003
Operating Revenues		
Net patient service revenue	\$ 14,677,596	\$ 14,287,820
Other	179,365	170,425
Total operating revenues	14,856,961	14,458,245
Operating Expenses		
Salaries and wages	7,186,360	6,820,816
Employee benefits and payroll taxes	2,021,653	2,189,492
Medical supplies and drugs	2,721,400	2,556,478
Professional services and consultant fees	377,846	350,056
Purchased services	1,600,297	1,555,185
Depreciation and amortization	861,848	866,049
Total operating expenses	14,769,404	14,338,076
Operating Income	87,557	120,169
Other Income (Expenses)		
Investment income	59,062	101,303
Contributions	49,997	41,622
Interest earnings on restricted assets	14	49
Interest expense	(29,990)	(47,989)
Other expense	(49,167)	(14,901)
Total other income	29,916	80,084
Increase in Net Assets	117,473	200,253
Net Assets - Beginning of year	12,363,513	12,163,260
Net Assets - End of year	\$ 12,480,986	\$ 12,363,513

Paulding County Hospital

Statement of Cash Flows

	Year Ended	
	December 31, 2004	December 31, 2003
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 15,356,666	\$ 13,877,344
Cash payments to suppliers for services and goods	(4,737,657)	(4,063,097)
Cash payments to employees for services	(9,072,526)	(8,984,161)
Other operating receipts	192,637	132,849
Net cash provided by operating activities	1,739,120	962,935
Cash Flows from Noncapital Financing Activities -		
Unrestricted contributions received	49,997	41,622
Cash Flows from Investing Activities		
Investment income	54,697	79,618
Recovery on uninsured investments	21,531	243,934
Advances to physicians - Net of forgiveness	1,782	76,526
Other	(30,027)	-
Net cash provided by investing activities	47,983	400,078
Cash Flows from Capital Financing Activities		
Proceeds from issuance of debt	1,400,000	-
Principal payments on notes payable	(51,102)	(19,970)
Interest paid on long-term debt - Net of amount capitalized	(29,990)	(47,989)
Purchase of capital assets	(2,259,129)	(837,701)
Proceeds from sale of capital assets	19,976	56,260
Principal payments on capital leases	(250,768)	(238,195)
Net cash used in capital financing activities	(1,171,013)	(1,087,595)
Net Increase in Cash and Cash Equivalents	666,087	317,040
Cash and Cash Equivalents - Beginning of year	4,358,079	4,041,039
Cash and Cash Equivalents - End of year	\$ 5,024,166	\$ 4,358,079
Balance Sheet Classification of Cash		
Current assets	\$ 1,259,117	\$ 379,014
Restricted cash and cash equivalents	3,765,049	3,979,065
Total cash	\$ 5,024,166	\$ 4,358,079
Supplemental Disclosure Cash Flow Information -		
Equipment obtained via capital lease	\$ -	\$ 15,760

Paulding County Hospital

Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2004	December 31, 2003
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 87,557	\$ 120,169
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	861,848	866,049
Provision for bad debts	425,060	227,136
Changes in assets and liabilities:		
Increase in patient accounts receivable	(155,240)	(410,048)
Increase in inventories	(53,821)	(51,924)
Increase in prepaid expenses and other receivables	(7,258)	(59,602)
Increase (decrease) in accounts payable	(42,981)	224,297
Increase in other accrued expenses	214,705	274,422
Increase (decrease) in third-party settlement receivables	409,250	(227,564)
Net cash provided by operating activities	<u>\$ 1,739,120</u>	<u>\$ 962,935</u>

Significant noncash investing, capital, and financing activities for 2003 is the acquisition of capital assets of \$15,760 through a capital lease

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - Effective January 1, 2001, Paulding County Hospital (the "Hospital") became a 15-bed critical access hospital located in Paulding, Ohio. The Hospital operates under the authority of Section 339, Ohio Revised Code, to provide inpatient, outpatient, and emergency care services for the residents of Paulding County, Ohio. A board of directors appointed by the county commissioners, the probate judge, and the Judge of the Court of Common Pleas of Paulding County governs the Hospital. The Hospital is considered a component unit of Paulding County, Ohio (the "County"), and is included as a component unit in the general purpose financial statements of the County.

Cash and Cash Equivalents - Cash and cash equivalents are defined as short-term highly liquid investments purchased with initial maturities of three months or less. Cash and cash equivalents included in assets limited as to use are considered cash and cash equivalents for purposes of the statement of cash flows.

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical loss rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are deemed to be uncollectible. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Inventories - Inventories, consisting primarily of medical supplies, food, and drugs, are valued at the lower of cost or market determined on a first-in, first-out (FIFO) basis.

Assets Limited as to Use - Assets limited as to use include assets set aside by the Hospital board of directors for future capital improvements over which the board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also include assets restricted by contributors for education and other purposes of the home health department.

Capital Assets - Capital assets are recorded at cost, or if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life and is computed principally on the straight-line method. Equipment under capital lease is amortized on the straight-line method over the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Notes Receivable - Notes receivable represent loans to physicians under various cash flow support and loan arrangements. These loans are to be repaid in varying monthly installments including varying interest rates, ranging from the minimum applicable federal rate to 8 percent, and are unsecured. A majority of the physician notes receivable are forgiven over time under the terms specified in the physician loan agreement.

Compensated Absences - Paid time off is charged to operations when earned. The unused and earned benefits are recorded as a current liability in the financial statements. Employees accumulate vacation days at varying rates depending on years of service. Employees also earn sick leave benefits at a Hospital-determined rate for all employees. 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-half of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Employees hired after June 8, 2001 are only eligible to receive termination payments on one-half of the accumulated sick leave balance up to a maximum of 240 hours.

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

Classification of Net Assets - Net assets of the Hospital 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 Hospital, 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.

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.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

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

Income from Operations - The Hospital's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues results from exchange transactions associated with providing health care services. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Investment Income - Investment income on board-designated funds (funded depreciation) and general funds is recorded as nonoperating gains. Interest earnings on funds restricted by contributors are also recorded as nonoperating gains.

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

Use of Estimates - The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

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.

Reclassification - Certain prior year amounts have been reclassified to conform to current year presentation.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 2 - Deposits and Investments

The Hospital's deposits and investments are comprised of the following:

	<u>2004</u>	<u>2003</u>
2004:		
Deposits	\$ 1,259,117	\$ -
Certificates of deposit	<u>-</u>	<u>3,765,049</u>
Total	<u>\$ 1,259,117</u>	<u>\$ 3,765,049</u>
2003:		
Deposits	\$ 379,014	\$ -
Certificate of deposit	<u>-</u>	<u>3,979,065</u>
Total	<u>\$ 379,014</u>	<u>\$ 3,979,065</u>
Deposits:		
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 5,264,280	\$ 4,628,216
Amount of deposits covered by federal depository insurance	<u>(713,768)</u>	<u>(613,754)</u>
Amount of deposits uninsured	<u>\$ 4,550,512</u>	<u>\$ 4,014,462</u>

Amounts of deposits not insured by federal depository insurance are collateralized by pools of securities pledged by the depository bank and held in the name of the respective bank.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 3 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2004</u>	<u>2003</u>
Gross patient accounts receivable:	\$ 2,886,450	\$ 3,214,471
Uncollectible accounts	(647,117)	(631,019)
Contractual adjustments	<u>(593,008)</u>	<u>(667,307)</u>
Net patient accounts receivable	<u>\$ 1,646,325</u>	<u>\$ 1,916,145</u>

The Hospital provides services without collateral to its patients, most of whom are local residents and insured under third-party payor arrangements. The mix of receivables from patients and third-party payors was as follows:

	<u>2004</u>	<u>2003</u>
Medicare	34 %	32 %
Medical Mutual of Ohio	11 %	10 %
Medicaid	9 %	11 %
Other third-party payors	26 %	28 %
Patient pay	<u>20 %</u>	<u>19 %</u>
Total	<u>100 %</u>	<u>100 %</u>

Note 4 - Assets Limited as to Use

The composition of these assets is described in Note 2. The classification and limited uses of these assets are described below:

	<u>2004</u>	<u>2003</u>
Restricted by contributors for construction, education, and other purposes - Deposits in financial institutions	\$ 13,768	\$ 13,754
Designated by the board for capital improvements:		
Deposits in financial institutions	3,751,281	3,965,311
Accrued interest receivable	<u>31,801</u>	<u>27,422</u>
Total assets limited as to use	<u>\$ 3,796,850</u>	<u>\$ 4,006,487</u>

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 5 - Capital Assets

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

	2003	Additions	Transfers	Retirements	2004	Depreciable Life - Years
Land	\$ 30,609	\$ -	\$ -	\$ -	\$ 30,609	
Land improvements	163,553	-	-	-	163,553	5-25
Building and improvements	9,655,763	9,166	-	(650)	9,664,279	5-50
Fixed equipment	1,455,292	-	-	(76,354)	1,378,938	5-20
Moveable equipment	4,812,667	189,799	-	(1,070,478)	3,931,988	5-20
Moveable equipment - Capital leases	1,976,948	-	-	-	1,976,948	5
Construction in progress	94,587	2,060,164	-	-	2,154,751	
Total	18,189,419	2,259,129	-	(1,147,482)	19,301,066	
Less accumulated depreciation:						
Land improvements	91,878	8,374	-	-	100,252	
Building and improvements	4,117,028	428,400	-	(650)	4,544,778	
Fixed equipment	1,450,858	1,168	-	(76,354)	1,375,672	
Moveable equipment	4,163,710	260,007	-	(1,009,831)	3,413,886	
Moveable equipment - Capital leases	933,822	163,899	-	-	1,097,721	
Total	10,757,296	861,848	-	(1,086,835)	10,532,309	
Net carrying amount	<u>\$ 7,432,123</u>	<u>\$ 1,397,281</u>	<u>\$ -</u>	<u>\$ (60,647)</u>	<u>\$ 8,768,757</u>	

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

	2002	Additions	Transfers	Retirements	2003	Depreciable Life - Years
Land	\$ 30,609	\$ -	\$ -	\$ -	\$ 30,609	
Land improvements	163,553	-	-	-	163,553	5-25
Building and improvements	9,462,106	203,408	-	(9,751)	9,655,763	5-50
Fixed equipment	1,455,292	-	-	-	1,455,292	5-20
Moveable equipment	4,418,002	539,706	-	(145,041)	4,812,667	5-20
Moveable equipment - Capital leases	1,961,188	15,760	-	-	1,976,948	5
Construction in progress	-	94,587	-	-	94,587	
Total	17,490,750	853,461	-	(154,792)	18,189,419	
Less accumulated depreciation:						
Land improvements	82,859	9,019	-	-	91,878	
Building and improvements	3,677,853	446,650	-	(7,475)	4,117,028	
Fixed equipment	1,449,660	1,198	-	-	1,450,858	
Moveable equipment	4,004,870	245,285	-	(86,445)	4,163,710	
Moveable equipment - Capital leases	769,925	163,897	-	-	933,822	
Total	9,985,167	866,049	-	(93,920)	10,757,296	
Net carrying amount	<u>\$ 7,505,583</u>	<u>\$ (12,588)</u>	<u>\$ -</u>	<u>\$ (60,872)</u>	<u>\$ 7,432,123</u>	

Construction in progress as of December 31, 2004 consisted of architect fees and construction costs associated with the construction of a new medical office building.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 6 - Long-term Debt

The lease obligations consist of three amounts summarized as follows:

- Capital lease payable over 60 months, with monthly payments of \$4,324, including interest at 5.75 percent, collateralized by equipment
- Capital lease payable over 120 months, with monthly payments of \$18,385, including interest at 5.52 percent, collateralized by HVAC system
- Capital lease payable over 60 months, with monthly payments of \$262, at 0 percent interest, collateralized by automobile

The notes payable are summarized below:

- Note payable over 60 months, with monthly payments of \$1,881, including interest at 5.94 percent, collateralized by roof
- Notes payable over 120 months, with monthly payments of \$13,631, including interest at 3.13 percent, collateralized by future revenues of the Hospital

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

	<u>2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>2004</u>	<u>Current Portion</u>
Leases and notes payable:					
Lease obligations	\$ 569,238	\$ -	\$ (250,768)	\$ 318,470	\$ 246,512
Notes payable	32,232	1,400,000	(51,102)	1,381,130	132,888
Compensated absences	320,648	477,208	(409,920)	387,936	87,036
Total long-term liabilities	<u>\$ 922,118</u>	<u>\$ 1,877,208</u>	<u>\$ (711,790)</u>	<u>\$ 2,087,536</u>	<u>\$ 466,436</u>

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

	<u>2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>2003</u>	<u>Current Portion</u>
Leases and notes payable:					
Lease obligations	\$ 791,673	\$ 15,760	\$ (238,195)	\$ 569,238	\$ 250,769
Notes payable	52,202	-	(19,970)	32,232	21,205
Compensated absences	320,542	416,262	(416,156)	320,648	46,008
Total long-term liabilities	<u>\$ 1,164,417</u>	<u>\$ 432,022</u>	<u>\$ (674,321)</u>	<u>\$ 922,118</u>	<u>\$ 317,982</u>

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 6 - Long-term Debt (Continued)

The following is a schedule by years of note principal and interest, and future minimum lease payments as of December 31, 2004:

	Note Payable	Note Interest	Leases Payable
2005	\$ 132,888	\$ 41,908	\$ 257,269
2006	125,786	37,791	55,037
2007	129,836	33,740	19,659
2008	133,930	29,646	-
2009	138,330	25,247	-
2010-2014	720,360	56,627	-
Total payments	<u>\$ 1,381,130</u>	<u>\$ 224,959</u>	331,965
Less amount representing interest			<u>(13,495)</u>
Net present value			<u>\$ 318,470</u>

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

	2004	2003
Cost of equipment under capital lease	\$ 1,976,948	\$ 1,976,948
Less accumulated amortization	<u>(1,097,721)</u>	<u>(933,822)</u>
Net carrying amount	<u>\$ 879,227</u>	<u>\$ 1,043,126</u>

Note 7 - Accrued Liabilities

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

Payroll and related amounts	\$ 437,459	\$ 369,260
Compensated absences (Note 6)	87,036	46,008
Workers' compensation premiums	177,228	193,487
Health insurance claims (Note 13)	124,449	174,213
Other	253,446	108,205
Total accrued liabilities	<u>\$ 1,079,618</u>	<u>\$ 891,173</u>

Note 8 - Cost Report Settlements

Approximately 54 percent of the Hospital's revenues from patient services are 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 third-party payors follows.

- **Medicare** - Effective January 1, 2001, the Hospital received full accreditation from the Center for Medicare and Medicaid Services for the Critical Access Hospital designation. As a Critical Access Hospital, the Hospital will receive reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost-reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology.

The Medicaid payment system in Ohio is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. 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 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.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 9 - Net Patient Service Revenue

Net patient service revenue consists of the following:

	<u>2004</u>	<u>2003</u>
Patient revenue:		
Inpatient services:		
Routine services	\$ 736,946	\$ 652,706
Ancillary services	2,885,036	2,393,090
Outpatient ancillary services	<u>17,132,933</u>	<u>15,777,347</u>
Total patient revenue	20,754,915	18,823,143
Less:		
Provision for bad debt	425,060	227,136
Contractual adjustments under third-party reimbursement programs	<u>5,652,259</u>	<u>4,308,187</u>
Total	<u>\$ 14,677,596</u>	<u>\$ 14,287,820</u>

Note 10 - 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 plan and a 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 postemployment 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).

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 10 - Defined Benefit Pension Plan (Continued)

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 \$957,456, \$924,584, and \$855,337, respectively. Required employer contributions for all plans are equal to 100 percent of employer charges and must be extracted from the employer's records.

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 post-employment benefits for 2004 and 2003 was \$282,644 and \$341,171, respectively. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement 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.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 10 - Defined Benefit Pension Plan (Continued)

The number of active contributing participants in the Traditional and Combined Plans during 2004 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.

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 11 - Risk Management

The Hospital was insured against medical malpractice claims under an occurrence-based policy. The policy covers claims resulting from incidents that occurred during the policy terms, regardless of when the claims are reported to the insurance carrier. Under the terms of the policy, the Hospital 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 Hospital has an umbrella policy with an additional \$5,000,000 of coverage. These policies expired May 23, 2003, and were replaced by a claims-made policy, whereby only the claims reported during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital 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 Hospital 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 policy term, but reported subsequent to the policy term, will be uninsured.

While there is pending litigation against the Hospital, management is not aware of any such medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense. There have been no claims settled in the last three years that have exceeded insured limits.

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 11 - Risk Management (Continued)

The Hospital is exposed to various risks of loss related to property and general losses and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years. See Note 13 for discussion of self-insured health programs.

Note 12 - Deferred Compensation Plan

All full-time employees of the Hospital may participate in a deferred compensation plan created by the State of Ohio under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

Compensation assets deferred under a plan, all property, and rights, and all income attributable to those amounts, property, or rights is held in trust at the state level for the benefit of the participants.

Note 13 - Self-Insurance

The Hospital is partially self-insured under a plan covering all employees for employee health insurance. The plan is covered by a stop-loss policy that covers claims over \$35,000 per employee or total claims in excess of \$760,515. The plan policy year ends on December 31. Claims, charged to operations when incurred, were approximately \$886,000 and \$875,000 for the years ended December 31, 2004 and 2003, respectively.

Reconciliation of accrued health insurance at December 31, 2004 and 2003, consists of the following:

Balance at January 1, 2003:	\$	90,557
Health insurance expense		875,000
Payments made		(791,344)
Balance at December 31, 2003:		174,213
Health insurance expense		886,000
Payments made		(935,764)
Balance at December 31, 2004	\$	<u>124,449</u>

Paulding County Hospital

Notes to Financial Statements December 31, 2004 and 2003

Note 14 - Loss on Investments

At December 31, 2001, the Hospital maintained \$1.48 million of investments at a local bank. In February 2002, it was discovered the bank was defrauded of most of its assets. The Hospital was only insured for \$100,000 (FDIC) and was collateralized on additional amounts totaling \$95,620. Due to the uncertainty of recovering any of the funds beyond insured and collateralized amounts, the Hospital wrote down the uninsured portion of investments totaling \$1.29 million at December 31, 2001. The Hospital has recovered the insured and collateralized amounts as of December 31, 2004, as well as an additional \$512,869 of uninsured amounts, which were previously written down at December 31, 2001.

During 2003, the Hospital wrote off the remaining portion of the long-term physician receivables, as these funds were determined to be uncollectible.

The details of other nonoperating gains (losses) at December 31, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Recovery on uninsured investments	\$ 21,531	\$ 241,561
Write-off of physician receivable	-	(254,223)
Loss on disposal of capital assets	(40,671)	(4,612)
Other	<u>(30,027)</u>	<u>2,373</u>
Total other nonoperating losses	<u>\$ (49,167)</u>	<u>\$ (14,901)</u>

Additional Information

Report on Compliance with Laws and Regulations and Internal Control

Report on Compliance with Laws and
Regulations and Internal Control

To the Board of Directors
Paulding County Hospital

We have audited the financial statements of Paulding County Hospital as of and for the year ended December 31, 2004 and have issued our report thereon dated March 3, 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 Paulding County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Paulding County Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

This report is intended solely for the information and use of the auditor of the State of Ohio, board of directors of Paulding County Hospital, and management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 3, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PAULDING COUNTY HOSPITAL

PAULDING 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
MAY 31, 2005**