

Wyandot Memorial Hospital and Affiliate

**Combined Financial Report
December 31, 2004**



**Auditor of State
Betty Montgomery**

Board of Directors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have reviewed the *Independent Auditor's Report* of the Wyandot Memorial Hospital, Wyandot 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 Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 13, 2005

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Wyandot Memorial Hospital and Affiliate

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Independent Auditor's Report

To the Board of Directors
Wyandot Memorial Hospital and Affiliate

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

The management's discussion and analysis is not a required part of the basic 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 required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005 on our consideration of Wyandot Memorial Hospital and Affiliate's internal control over financial reporting and on 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.

As discussed in Note 2 to the financial statements, there has been a change in the reporting entity in 2004. Accordingly, the 2003 financial statements have been restated, and an adjustment has been made to net assets as of January 1, 2003 to reflect this change.

Plante & Moran, PLLC

March 31, 2005



A worldwide association of independent accounting firms

Management Discussion & Analysis
Financial Report

December 31, 2004

Management's Discussion and Analysis

Management's Discussion and Analysis

The discussion and analysis of Wyandot Memorial Hospital's combined financial statements provides 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 discussion and analysis.

Using this Annual Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the financial statements, and notes to financial statements. These financial statements and related notes provide information about the activities of the Hospital, including resources held but restricted for specific purposes by contributors, grantors, or enabling legislation.

Change in Reporting Entity

During 2004, the Hospital adopted the provisions of GASB 39, *Determining Whether Certain Organizations Are Component Units*, thus including the Wyandot Health Foundation as an affiliate. Information included within the 2003 audited financial statements has been restated in accordance with GASB 39. The effect of the restatement was to increase the beginning net assets by \$533,439 and excess of revenues over expenses by \$678,080 for 2003. The following information relates only to the primary governmental unit, Wyandot Memorial Hospital.

Financial Highlights

The Hospital's financial position increased significantly during the year ended December 31, 2004. Current assets increased by \$269,407, or 2.6%, and general long-term investments increased by \$1,953,116, or 19.9%, from the prior year. This was due in part to an increase in accounts receivable, inventories, and both short- and long-term investments. In total, the Hospital's net assets increased \$ 2,269,721, or 8.5%, from the previous year. The increased net assets were primarily caused by a significant increase in patient revenue due to charge increases, some additional services, and growth in some ancillary service volumes.

The following chart provides a breakdown of net assets by category for the years ended December 31, 2004 and 2003:

	<u>Year Ended December 31</u>	
	<u>2004</u>	<u>2003</u>
Net Assets		
Invested in capital assets - Net of related debt	\$ 6,260,733	\$ 5,880,314
Restricted for debt service and other purposes	1,994,443	2,095,734
Unrestricted	20,812,708	18,822,115

In the year ended December 31, 2004, the Hospital's revenues and other support exceeded expenses, creating an increase in net assets of \$2,269,721.

The Statement of Net Assets 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 the Hospital as a whole better off or worse off as a result of the year's activities?" The statement of net assets 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 the Hospital's operating results.

These two statements report the Hospital's net assets and their changes. You can think of the 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 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.

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	Year Ended December 31		Change	
	2004	2003	Amount	Percent
Assets				
Current assets	\$ 10,593,152	\$ 10,323,745	\$ 269,407	2.6 %
Assets limited as to use	1,994,443	2,095,734	(101,291)	-4.8%
General long-term investments	11,750,104	9,796,988	1,953,116	19.9%
Capital assets	6,556,453	6,407,218	149,235	2.3 %
Total assets	\$ 30,894,152	\$ 28,623,685	\$ 2,270,467	7.9%
Liabilities				
Current liabilities	\$ 1,229,779	\$ 1,118,272	\$ 111,507	10.0 %
Long-term liabilities	145,000	290,000	(145,000)	- 50.0 %
Compensated absences	451,489	417,250	34,239	8.2%
Total liabilities	\$ 1,826,268	\$ 1,825,522	\$ 746	0.1 %
Net Assets				
Invested in capital assets - Net of debt	\$ 6,260,733	\$ 5,880,314	\$ 380,419	6.5 %
Restricted assets	1,994,443	2,095,734	-101,291	-4.8 %
Unrestricted	20,812,708	18,822,115	1,990,593	10.6 %
Total net assets	\$ 29,067,884	\$ 26,798,163	\$ 2,269,721	8.5 %

The primary change in the Statement of Net Assets relates to a significant increase in restricted and unrestricted net assets. Operating results were favorable and contributed to the 8.5% change in unrestricted net assets.

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	\$19,170,964	\$18,518,379	\$652,585	3.5 %
Other	533,791	501,082	32,709	6.5 %
Total operating revenue	19,704,725	19,019,461	685,264	3.6 %
Operating Expenses				
Salaries and wages	7,459,849	7,099,370	360,479	5.1 %
Employee benefits and payroll taxes	2,170,564	1,892,281	278,283	14.7 %
Operating supplies and expenses	3,084,604	3,052,221	32,383	1.1 %
Purchased services	3,907,403	3,723,121	184,282	4.9 %
Insurance	319,357	268,646	50,711	18.9 %
Depreciation and amortization	1,199,639	1,158,039	41,600	3.5 %
Total operating expenses	18,141,416	17,193,678	947,738	5.5 %
Operating Income	1,563,309	1,825,783	-262,474	-14.4%
Other Revenue (Expense)				
Interest earnings	552,573	518,523	34,050	6.6 %
Contributions and other income	183,406	78,537	104,869	133.5 %
Interest expense	(29,207)	(41,865)	-12,658	-30.2%
Increase in Net Assets	2,269,721	2,380,978	-111,257	- 4.7 %
Net Assets – Beginning of year	26,798,163	24,417,185		
Net Assets – End of year	\$ 29,067,884	\$ 26,798,163		

Management's Discussion and Analysis (Continued)

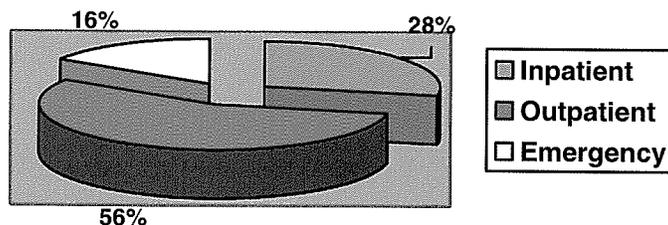
Operating Revenues

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 local tax levies are considered operating.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 3.5%. This was attributable to an increase in charges, expanded services in some departments, and increases in volumes for certain ancillary services. Additionally, improved coding and billing techniques have increased revenue in certain areas. Gross patient revenue is reduced by revenue deductions. These deductions are the amounts that are not paid by the Hospital under contractual arrangements primarily with Medicare, Medicaid, and Blue Cross/Blue Shield. These revenue deductions increased from 40% to 45% as a percentage of gross revenue.
- Other operating revenue increased 6.5% due in part to an increase in senior citizen meals and industrial physicals.
- The following is a graphic illustration of operating revenues by source:

2004

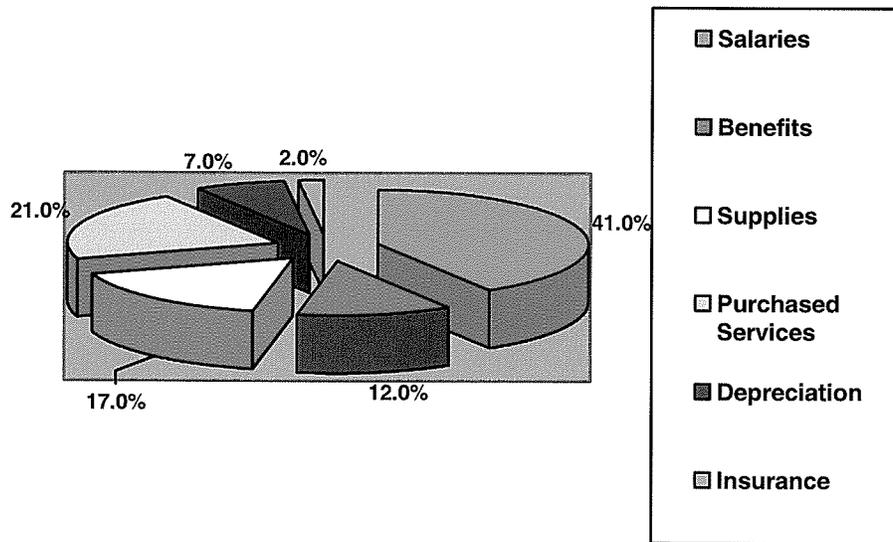


Management's Discussion and Analysis (Continued)

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 5.1% due in part to annual adjustments
- Benefit costs increased 14.7% due to increases in health insurance and workers' compensation premiums paid by the Hospital for covered employees
- Supplies increased only 1.1% due to improved purchasing and lower inpatient volumes
- Insurance costs increased 18.9% due to increased malpractice premiums paid for the hospital and some employed physicians
- Purchased services increased 4.9% due to increased physician fees for anesthesiology, EKG, and the emergency room
- The following is a graphic illustration of operating expenses by type:



Other Revenue (Expense)

Nonoperating revenue and expenses are all sources and uses that are primarily non-exchange in nature. They would consist primarily of investment income and donations.

There was an increase in nonoperating revenue from the prior year. This was due in part to an increase in investments.

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 an entity during a period. The statement of cash flows also 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

	2004	2003	Increase (Decrease)
Cash provided by (used in):			
Operating activities	\$2,630,809	\$3,863,505	-1,232,696
Capital and related financing activities	-1,420,496	-1,054,696	-365,800
Investing activities	-3,937,723	-2,518,267	-1,419,456
Net increase (decrease) in cash	-2,727,410	290,342	-3,017,752
Cash – Beginning of year	3,696,968	3,406,626	290,342
Cash – End of year	\$969,558	\$3,696,968	-\$2,727,410

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

Cash provided by operating activities decreased \$1,219,877 over the prior year. This was due in part to an increase in patient accounts receivable and operating expenses.

Additional money was spent on capital purchases, thereby increasing the cash used by capital and related financing activity.

Investing activities used an additional \$1,431,775 due to the purchase of additional investments.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At December 31, 2004, the Hospital had \$17,520,011 invested in capital assets, net of accumulated depreciation of \$10,969,278. Depreciation and amortization totaled \$1,199,639 for the current year compared to \$1,158,039 last year. Details of these assets for the past two years are shown below:

	2004	2003	Increase (Decrease)
Land	\$45,000	\$45,000	\$0
Land improvements	171,478	171,478	0
Buildings and improvements	8,265,414	8,250,985	14,429
Furniture, fixtures, and equipment	9,038,119	7,729,159	1,308,960
Total	\$17,520,011	\$16,196,622	\$1,323,389

Debt

At year end, the Hospital had \$290,000 in debt outstanding as compared to \$515,461 the previous year. The table below summarizes these amounts by type of debt instrument:

	2004	2003	Increase (Decrease)
Total leases and bonds	\$290,000	\$515,461	\$(225,461)

The Hospital has made strides to pay down its debt obligations and has done so in alignment with its prescribed debt schedules. More detailed information about the Hospital's long-term liabilities is presented in the footnotes to the financial statements.

Economic Factors that Will Affect the Future

The economic position of the Hospital is closely tied to that of the local medical staff. There was a loss of several medical staff during 2003. Efforts to recruit replacements in 2004 were unsuccessful. Recruiting efforts have been stepped up in 2005. Much of the Hospital reimbursement is limited by federal and state mandates. Effective March 2005, the Hospital obtained Critical Access status from the Medicare program. The Hospital will now be reimbursed the reasonable cost for Medicare services provided to beneficiaries. In addition, the Hospital's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of service. In addition, the board of directors approved an average increase of 3% in the charge structure for the upcoming fiscal year.

Management's Discussion and Analysis (Continued)

Contacting the District's Management

This financial report is intended to provide our member townships and bondholders with a general overview of the district's finances, and to show the district's accountability for the funds over which it has stewardship. If you have questions about this report or need additional information, we welcome you to contact the chief financial officer.

Alan H. Yeates
Chief Financial Officer

Wyandot Memorial Hospital and Affiliate

Combined Balance Sheet

	December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
	(as Restated)			
Assets				
Current Assets				
Cash and cash equivalents (Note 3)	\$ 969,558	\$ 123,548	\$ 3,696,968	\$ 225,048
Short-term investments (Note 3)	5,832,774	201,838	3,194,303	-
Accounts receivable (Note 5)	3,133,274	-	2,819,422	-
Other current assets:				
Prepaid expenses	266,605	-	253,912	-
Inventories	390,941	-	359,140	-
Total current assets	10,593,152	325,386	10,323,745	225,048
Assets Limited as to Use (Note 4)	1,994,443	-	2,095,734	-
General Long-term Investments (Note 3)	11,750,104	1,471,317	9,796,988	986,471
Property and Equipment (Note 7)	6,550,733	-	6,395,775	-
Other Assets - Bond issue costs	5,720	-	11,443	-
Total assets	<u>\$ 30,894,152</u>	<u>\$ 1,796,703</u>	<u>\$ 28,623,685</u>	<u>\$ 1,211,519</u>

Wyandot Memorial Hospital and Affiliate

Combined Balance Sheet (Continued)

	2004		2003	
	Hospital	Component Units	Hospital	Component Units
	(as Restated)			
Liabilities and Net Assets				
Current Liabilities				
Current maturities of capital lease obligations (Note 8)	\$ 145,000	\$ -	\$ 225,461	\$ -
Accounts payable	677,902	-	414,952	-
Accrued compensation (Note 9)	406,877	-	477,859	-
Total current liabilities	1,229,779	-	1,118,272	-
Long-term Debt (Note 8)	145,000	-	290,000	-
Accrued Compensated Absences (Note 8)	451,489	-	417,250	-
Total liabilities	1,826,268	-	1,825,522	-
Net Assets				
Invested in capital assets - Net of related debt	6,260,733	-	5,880,314	-
Restricted:				
Nonexpendable for permanent endowments	15,000	-	15,000	-
Restricted for capital acquisitions	1,979,443	1,125,008	2,080,734	602,971
Unrestricted	20,812,708	671,695	18,822,115	608,548
Total net assets	29,067,884	1,796,703	26,798,163	1,211,519
Total liabilities and net assets	<u>\$ 30,894,152</u>	<u>\$ 1,796,703</u>	<u>\$ 28,623,685</u>	<u>\$ 1,211,519</u>

Wyandot Memorial Hospital and Affiliate

Combined Statement of Operations

	Year Ended December 31			
	2004		2003	
	Hospital	Component Units	Hospital	Component Units
	(as Restated)			
Operating Revenue				
Net patient service revenue	\$ 19,170,964	\$ -	\$ 18,518,379	\$ -
Other revenue	533,761	-	501,082	-
Total operating revenue	19,704,725	-	19,019,461	-
Operating Expenses				
Salaries and wages	7,459,849	-	7,099,370	-
Employee benefits and payroll taxes	2,170,564	5,000	1,892,281	5,300
Operating supplies and expenses	3,084,604	41,876	3,052,221	33,506
Purchased services	3,907,403	-	3,723,121	-
Insurance	319,357	-	268,646	-
Depreciation and amortization	1,199,639	-	1,158,039	-
Total operating expenses	18,141,416	46,876	17,193,678	38,806
Operating Income (Loss)	1,563,309	(46,876)	1,825,783	(38,806)
Other Income (Expense)				
Interest income	552,573	-	518,523	-
Contributions and other income	183,046	632,060	78,537	716,886
Interest expense	(29,207)	-	(41,865)	-
Total other income	706,412	632,060	555,195	716,886
Increase in Net Assets	2,269,721	585,184	2,380,978	678,080
Net Assets - Beginning of year	26,798,163	1,211,519	24,417,185	533,439
Net Assets - End of year	\$29,067,884	\$1,796,703	\$26,798,163	\$1,211,519

Wyandot Memorial Hospital and Affiliate

Combined Statement of Cash Flows

	Year Ended December 31		
	2004	Hospital	2003
	Hospital	Component Units	Component Units
			(as Restated)
Cash Flows from Operating and Nonoperating Activities			
Cash received from patients and third-party payors	\$ 18,857,112	\$ -	\$ 19,533,686
Cash paid to suppliers for services and goods	(7,092,908)	(41,876)	(7,097,865)
Cash paid to employees for services	(9,593,670)	(5,000)	(9,012,251)
Other receipts from operations	460,275	-	439,735
	<u>2,630,809</u>	<u>(46,876)</u>	<u>3,863,305</u>
Net cash provided by (used in) operating and nonoperating activities			<u>(38,806)</u>
Cash Flows from Investing Activities			
Investment income	626,059	-	579,870
Decrease in assets limited as to use	(35,435)	-	(43,877)
Purchase of investments	(7,770,874)	(686,684)	(7,107,560)
Proceeds from sale and maturities of investments	3,242,527	-	4,053,300
	<u>(3,937,723)</u>	<u>(686,684)</u>	<u>(494,273)</u>
Net cash used in investing activities			
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,348,874)	-	(820,395)
Contributions and other	183,046	632,060	78,537
Interest paid on long-term debt	(29,207)	-	(41,865)
Repayment of bonds payable	(145,000)	-	(145,000)
Payments on capital lease obligations	(80,461)	-	(125,973)
	<u>(1,420,496)</u>	<u>632,060</u>	<u>(1,054,696)</u>
Net cash provided by (used in) capital and related financing activities			<u>716,886</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,727,410)</u>	<u>(101,500)</u>	<u>183,807</u>
Cash and Cash Equivalents - Beginning of year	<u>3,696,968</u>	<u>225,048</u>	<u>3,406,626</u>
Cash and Cash Equivalents - End of year	<u>\$ 969,558</u>	<u>\$ 123,548</u>	<u>\$ 3,696,968</u>
			<u>\$ 225,048</u>

Wyandot Memorial Hospital and Affiliate

Combined Statement of Cash Flows (Continued)

A reconciliation of excess of revenue over (under) expenses to net cash from operating activities is as follows:

	Year Ended December 31		
	2004	2003	2003
	Hospital	Component Units	Component Units
			(as Restated)
Reconciliation of Operating Income (Loss) from Operating and Nonoperating Activities			
Operating income (loss)	\$ 1,563,309	\$ (46,876)	\$ 1,825,783
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	1,199,639	-	1,158,039
Provision for bad debts	1,030,514	-	791,311
(Increase) decrease in assets:			
Patient accounts receivable	(1,344,366)	-	121,449
Inventories	(31,801)	-	84,185
Prepaid expenses and others	(12,693)	-	(44,015)
(Increase) decrease in liabilities:			
Accounts payable	262,950	-	(94,047)
Accrued expenses	(36,743)	-	20,600
Net cash provided by (used in) operating and nonoperating activities	\$ 2,630,809	\$ (46,876)	\$ 3,863,305
			\$ (38,806)

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note I - Nature of Business and Significant Accounting Policies

Organization - The accompanying consolidated financial statements include the accounts of Wyandot Memorial Hospital and Wyandot Health Foundation (collectively, the "Organization"). All significant intercompany transactions have been eliminated in consolidation.

Wyandot Memorial Hospital (the "Hospital") is an acute care hospital organized in 1950 by residents of Salem, Pitt, Crane, and Mifflin Townships. The Hospital is located in Upper Sandusky, Ohio and is operated by a Joint Township Hospital board of directors made up of 12 members. This board elects one member for the board of governors from each township and three members are elected at large from the district, of which one should be a doctor of medicine. The board of governors consists of a total of seven members who oversee the daily operations of the Hospital. The Hospital is a political subdivision of the State of Ohio and is therefore exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Hospital was formed under the provisions of the Ohio Revised Code.

Wyandot Health Foundation, Inc. (the "Foundation") was established on June 10, 1985 per authority of the Ohio Revised Code. The Foundation is a nonprofit entity operated for the benefit of the Hospital. The Foundation is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles 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 Organization follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provide a comprehensive look at the Organization's financial activities. The Organization also applies the Financial Accounting Standard Board Statements and Interpretations issued prior to November 30, 1989, to the extent that they do not conflict with or contradict GASB pronouncements. The Hospital has elected not to apply FASB statements issued after November 30, 1989.

Cash and Cash Equivalents - Cash and cash equivalents are defined as cash and short-term, highly liquid investments purchased with an original maturity 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 combined statement of cash flows.

Investments - Investments consist of certificates of deposit and governmental bonds. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the combined balance sheet.

Inventories - Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note I - Nature of Business and Significant Accounting Policies (Continued)

Assets Limited as to Use - Assets limited as to use consist of invested funds designated by the Organization's board of governors for the replacement, improvement, and expansion of the Hospital's facilities and invested funds designated by the Joint Township Board of Directors restricted in connection with the Hospital's general obligation bonds. Assets limited as to use also include funds whose use is specified by the donor, as well as permanently restricted endowments, the earnings of which can be used for certain purposes as specified by the donor.

Unamortized Bond Issuance Costs - Costs incurred in obtaining long-term bond financing are being amortized over the term of the obligations using the straight-line method. Amortization expense totaled \$5,723 in both 2004 and 2003.

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 holiday and sick leave benefits at a Hospital-determined rate for all employees. Employees may earn up to 64 hours of holiday time per year, and may accumulate up to 128 hours of such time. Employees may earn up to 80 hours of sick time per year. Employees may sell a portion of their sick leave balance back to the Hospital provided their minimum balance is at least 240 hours after the transaction. 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-quarter of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Salaried employees also earn compensatory time for any hours worked in excess of eight hours in one day, or 80 hours in one pay period, at the rate of time and one-half. Compensatory time may be accumulated up to a maximum of 80 hours.

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 non-capital 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 non-expendable 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.

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.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note I - Nature of Business and Significant Accounting Policies (Continued)

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, 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 may differ from these estimates.

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 for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted 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 of such laws and regulations is 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. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than 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 Organization's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees' Retirement System (OPERS). The Organization funds pension costs accrued, based on contribution rates determined by OPERS.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

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

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support.

Investment Income - Investment income on unrestricted and restricted funds are recorded as nonoperating gains when received.

Reclassification - Certain 2003 amounts have been reclassified to conform to the 2004 presentation.

Note 2 - Change in Reporting Entity

During 2004, the Organization adopted the provisions of GASB 39, *Determining Whether Certain Organizations Are Component Units*, thus including the Wyandot Health Foundation as an affiliate. The accompanying financial statements for 2003 have been restated in accordance with GASB 39. The effect of the restatement was to increase the beginning net assets for 2003 by \$533,439 and 2003 excess of revenue over expenses by \$678,080.

Wyandot Memorial Hospital and Affiliate

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments

The Organization's deposits and investments are included on the balance sheet under the following classifications:

	2004		2003	
	Hospital	Component Units	Hospital	Component Units
Cash and cash equivalents	\$ 969,558	\$ 123,548	\$ 3,696,967	\$ 225,047
Certificates of deposit	17,582,878	1,036,953	12,991,291	887,471
Governmental bonds	-	636,202	-	99,000
Assets limited as to use	<u>1,994,443</u>	<u>-</u>	<u>2,095,734</u>	<u>-</u>
Total	<u>\$ 20,546,879</u>	<u>\$ 1,796,703</u>	<u>\$ 18,783,992</u>	<u>\$ 1,211,518</u>

At December 31, 2004, the bank balance of the Organization's demand deposits and money market accounts totaled \$21,569,707. Of this balance, \$900,000 was covered by federal depository insurance and \$20,045,689 of Hospital funds were collateralized with securities held in a pooled collateral account in the name of the pledging banks.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 4 - Assets Limited as to Use

Assets limited as to use consist of the following:

	<u>2004</u>	<u>2003</u>
Board-designated for capital improvements and professional liability:		
Cash and cash equivalents	\$ 55,885	\$ 25,736
Certificates of deposit	1,244,509	1,209,765
Money market accounts	<u>204,050</u>	<u>202,823</u>
Total board-designated for capital improvements and professional liability	1,504,444	1,438,324
Donor-designated for capital improvements and other purposes	17,343	16,652
Principal of permanent endowment	15,000	15,000
Investments held by trustee in connection with debt service - Money market accounts	<u>457,656</u>	<u>625,758</u>
Total assets limited as to use	<u>\$ 1,994,443</u>	<u>\$ 2,095,734</u>

Note 5 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2004</u>	<u>2003</u>
Patient accounts receivable	\$ 5,233,574	\$ 4,824,322
Less:		
Allowance for uncollectible accounts	(515,400)	(449,700)
Allowance for contractual adjustments	<u>(1,584,900)</u>	<u>(1,555,200)</u>
Net patient accounts receivable	<u>\$ 3,133,274</u>	<u>\$ 2,819,422</u>

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 5 - Patient Accounts Receivable (Continued)

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percent	
	2004	2003
Medicare	31	37
Medicaid	4	6
Commercial insurance and HMOs	39	38
Self-pay	26	19
Total	100	100

Note 6 - Cost Report Settlements

Approximately 52 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 these 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. Some outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. Other outpatient services, including ambulatory surgery, radiology, and laboratory services, are reimbursed on an established fee-for-service methodology. Beginning August 1, 2000, reimbursement for all outpatient services is based on a prospectively determined ambulatory payment classification system. However, the Hospital was held harmless under this new pay schedule until July 31, 2003. The Medicare Modernization Act of 2003 extended these provisions through January 1, 2006.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 6 - 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 patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

The Medicaid payment system 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.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 7 - Capital Assets

Cost of capital assets and related depreciable lives for December 31, 2004 are summarized below:

	2003	Additions	Transfers	Retirements	2004	Depreciable Life - Years
Land and land improvements	\$ 216,478	\$ -	\$ -	\$ -	\$ 216,478	
Building and building improvements	7,473,051	14,429	-	-	7,487,480	15-40
Building service equipment	777,934	-	-	-	777,934	5-20
Major movable equipment	7,115,833	1,342,555	-	(33,595)	8,424,793	3-25
Major movable equipment - Capital leases	613,326	-	-	-	613,326	5
Total	16,196,622	1,356,984	-	(33,595)	17,520,011	
Less accumulated depreciation:						
Land and land improvements	141,288	7,997	-	-	149,285	
Building and building improvements	3,771,044	268,772	-	-	4,039,816	
Building service equipment	697,503	12,933	-	-	710,436	
Major movable equipment	4,649,983	831,916	-	(25,484)	5,456,415	
Major movable equipment - Capital leases	541,029	72,297	-	-	613,326	
Total	9,800,847	1,193,915	-	(25,484)	10,969,278	
Net carrying amount	\$ 6,395,775	\$ 163,069	\$ -	\$ (8,111)	\$ 6,550,733	

Cost of capital assets and related depreciable lives for December 31, 2003 are summarized below:

	2002	Additions	Transfers	Retirements	2003	Depreciable Life - Years
Land and land improvements	\$ 193,432	\$ 23,046	\$ -	\$ -	\$ 216,478	
Building and building improvements	7,465,492	7,559	-	-	7,473,051	15-40
Building service equipment	777,934	-	-	-	777,934	5-20
Major movable equipment	6,326,043	789,790	-	-	7,115,833	3-25
Major movable equipment - Capital leases	613,326	-	-	-	613,326	5
Total	15,376,227	820,395	-	-	16,196,622	
Less accumulated depreciation:						
Land and land improvements	135,702	5,586	-	-	141,288	
Building and building improvements	3,501,130	269,914	-	-	3,771,044	
Building service equipment	683,892	13,611	-	-	697,503	
Major movable equipment	3,955,444	694,539	-	-	4,649,983	
Major movable equipment - Capital leases	372,363	168,666	-	-	541,029	
Total	8,648,531	1,152,316	-	-	9,800,847	
Net carrying amount	\$ 6,727,696	\$ (331,921)	\$ -	\$ -	\$ 6,395,775	

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 8 - Long-term Debt and Other Noncurrent Liabilities

Debt outstanding at December 31, 2004 and 2003 consists of general obligation bonds for building construction issues. General obligation bonds are direct obligations of the Joint Township board of trustees for which its full-faith, credit, and resources are pledged and are payable from taxes levied on all property in the Crane, Mifflin, Pitt, and Salem Townships. General obligation bonds of \$2,200,000 were issued in January 1991 in connection with the building expansion and renovation project. Such bonds bear interest at 6.7 percent and 6.6 percent in 2004 and 2003, respectively, with annual principal payments of \$145,000 due through December 1, 2006.

The Hospital leased medical equipment, office equipment, furniture, and fixtures used in its operations under capital leases, which generally required the Hospital to pay property taxes, insurance, and maintenance costs. Such capital leases were due in monthly installments, including interest at rates of 1.87 percent to 2.53 percent through November 2004 and were collateralized by the equipment leased.

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

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Leases, bonds, and loans payable:					
Lease obligations	\$ 80,461	\$ -	\$ (80,461)	\$ -	\$ -
Bonds payable - 1990 issue	435,000	-	(145,000)	290,000	145,000
Compensated absences	417,250	737,227	(702,988)	451,489	-
Total leases, bonds, and loans payable	<u>\$ 932,711</u>	<u>\$ 737,227</u>	<u>\$ (928,449)</u>	<u>\$ 741,489</u>	<u>\$ 145,000</u>

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

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Leases, bonds, and loans payable:					
Lease obligations	\$ 206,434	\$ -	\$ (125,973)	\$ 80,461	\$ 80,461
Bonds payable - 1990 issue	580,000	-	(145,000)	435,000	145,000
Compensated absences	376,628	731,012	(690,390)	417,250	-
Total leases, bonds, and loans payable	<u>\$ 1,163,062</u>	<u>\$ 731,012</u>	<u>\$ (961,363)</u>	<u>\$ 932,711</u>	<u>\$ 225,461</u>

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 8 - Long-term Debt and Other Noncurrent Liabilities (Continued)

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

	<u>Bond and Loans Payable</u>	<u>Bond and Loan Interest</u>
2005	\$ 145,000	\$ 19,575
2006	145,000	9,788
Total payments	<u>\$ 290,000</u>	<u>\$ 29,363</u>

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

	<u>2004</u>	<u>2003</u>
Cost of equipment under capital lease	\$ 613,326	\$ 613,326
Less accumulated amortization	<u>(613,326)</u>	<u>(541,029)</u>
Net carrying amount	<u>\$ -</u>	<u>\$ 72,297</u>

Note 9 - Accrued and Other Current Liabilities

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

	<u>2004</u>	<u>2003</u>
Compensation and related items	\$ 106,982	\$ 277,310
Pension	193,579	119,477
Workers' compensation premiums	<u>106,316</u>	<u>81,072</u>
Total accrued liabilities	<u>\$ 406,877</u>	<u>\$ 477,859</u>

Compensated absences represent the estimated liability to be paid to employees under the Hospital's sick, vacation, holiday, and compensatory time policies.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 10 - Net Patient Service Revenue

Net patient service revenue consists of the following:

	<u>2004</u>	<u>2003</u>
Patient revenue:		
Inpatient services:		
Routine services	\$ 2,094,119	\$ 2,006,641
Ancillary services	7,877,164	7,424,392
Outpatient ancillary services	<u>25,707,082</u>	<u>22,502,005</u>
Total patient revenue	35,678,365	31,933,038
Revenue deductions:		
Provision for contractual allowances	15,097,348	12,241,888
Provision for bad debts	1,030,514	791,311
Charity care - Net of hospital care assurance received	<u>379,539</u>	<u>381,460</u>
Total revenue deductions	<u>16,507,401</u>	<u>13,414,659</u>
Total	<u>\$ 19,170,964</u>	<u>\$ 18,518,379</u>

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 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).

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 11 - 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 were 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 approximately \$987,000, \$922,000, and \$860,000, 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 were the portions that were used to fund health care during 2004 and 2003, respectively. The portions of the employer's contribution used to fund postemployment benefits for 2004 and 2003 were \$291,000 and \$340,000, 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.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 11 - 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 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.

Note 13 - Risk Management

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

The Hospital is insured against medical malpractice claims under an occurrence-based policy, whereby claims are covered if the Hospital was insured during the year that the incident occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in a policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage.

Wyandot Memorial Hospital and Affiliate

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 13 - Risk Management (Continued)

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 current expense. There have been no claims settled in the last five years that have exceeded insured limits.

Note 14 - Subsequent Event

Effective March 2005, the Hospital obtained Critical Access status from the Medicare program. The Hospital will now be reimbursed the reasonable cost for Medicare services provided to beneficiaries.

Additional Information

Report Letter on Compliance with Laws and Regulations and Internal Control - General Purpose Financial Statements

To the Board of Directors
Wyandot Memorial Hospital and Affiliate

We have audited the financial statements of Wyandot Memorial Hospital and Affiliate as of and for the year ended December 31, 2004, and have issued our report thereon dated March 31, 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.

As discussed within the financial statements, there has been a change in reporting entity in 2004. Accordingly, the 2003 financial statements have been restated, and an adjustment has been made to net assets as of January 1, 2003 to reflect the change.

Compliance

As part of obtaining reasonable assurance about whether Wyandot Memorial Hospital and Affiliate'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 Wyandot Memorial Hospital and Affiliate'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 Board of Directors
Wyandot Memorial Hospital and Affiliate

In addition, a report was issued to management and the board of directors under separate cover regarding internal control issues and operating efficiencies which we did not 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 Wyandot Memorial Hospital and Affiliate, 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 31, 2005



**Auditor of State
Betty Montgomery**

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WYANDOT MEMORIAL HOSPITAL

WYANDOT 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
AUGUST 4, 2005**