

Wyandot Memorial Hospital

**Financial Report
with Additional Information
December 31, 2002**



**Auditor of State
Betty Montgomery**

Joint Township Hospital Board of Directors
and Hospital Board of Governors
Wyandot Memorial Hospital
885 North Sandusky Avenue
Upper Sandusky, OH 43351

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, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 9, 2003

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Wyandot Memorial Hospital

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Independent Auditor's Report

To the Joint Township Hospital Board of Directors and Hospital Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited the accompanying balance sheet of Wyandot Memorial Hospital as of December 31, 2002 and 2001, and the related statements of revenue and expenses of general fund and changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wyandot Memorial Hospital as of December 31, 2002 and 2001, and the results of operations of its general fund, changes in its fund balances 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 27, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

March 27, 2003

Wyandot Memorial Hospital

Balance Sheet

	December 31	
	2002	2001
General Fund Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,406,626	\$ 3,091,391
Short-term investments (Note 2)	3,768,397	3,242,800
Patient accounts receivable (Note 3)	3,732,182	3,018,984
Inventories	443,325	414,413
Prepaid expenses and other	209,897	220,939
Total current assets	11,560,427	9,988,527
Assets Limited as to Use		
By Board for capital improvements (Note 2)	1,394,602	1,334,434
Under indenture agreement - held by trustee (Note 2)	800,061	563,610
Total assets limited as to use	2,194,663	1,898,044
Long-Term Investments	6,057,425	5,088,872
Property, Plant and Equipment, Net (Note 5)	6,727,696	6,376,378
Other Assets	17,166	22,888
Total assets	<u>\$ 26,557,377</u>	<u>\$ 23,374,709</u>
Restricted Cash and Cash Equivalents	<u>\$ 29,750</u>	<u>\$ 29,399</u>

Wyandot Memorial Hospital

Balance Sheet

December 31

2002

2001

General Fund Liabilities and Fund Balances

Current Liabilities

Current maturities of bonds payable (Note 6)	\$ 145,000	\$ 145,000
Current maturities of capital lease obligations (Note 6)	125,972	123,296
Accounts payable	508,999	363,254
Accrued payroll	224,670	163,629
Other accrued expenses	649,839	581,473

Total current liabilities 1,654,480 1,376,652

Bonds Payable (less current maturities) (Note 6) 435,000 580,000

Capital Lease Obligations (less current maturities) (Note 6) 80,462 206,433

General Fund Balance 24,387,435 21,211,624

Total liabilities and fund balance **\$ 26,557,377** **\$ 23,374,709**

Restricted Fund Balance **\$ 29,750** **\$ 29,399**

Wyandot Memorial Hospital

Statement of Revenue and Expenses of General Fund

	Year Ended December 31	
	2002	2001
Operating Revenue		
Net patient service revenue (Note 7)	\$ 18,143,195	\$ 17,554,697
Bond levy income	411,722	318,016
Other operating revenue	444,495	419,054
Total operating revenue	18,999,412	18,291,767
Operating Expenses		
Salaries and wages	6,436,344	5,879,216
Employee benefits	1,622,533	1,518,228
Supplies and other	3,167,353	3,003,941
Purchased services	2,993,205	3,049,072
Provision for bad debts	893,858	489,183
Depreciation and amortization	1,119,448	1,012,994
Insurance	242,626	193,961
Interest	54,363	68,263
Total operating expenses	16,529,730	15,214,858
Income from Operations	2,469,682	3,076,909
Non-Operating Gains		
Income on investments	578,030	556,538
Other - net	128,099	208,535
Total net non-operating gains	706,129	765,073
Revenue and Gains in Excess of Expenses	\$ 3,175,811	\$ 3,841,982

Wyandot Memorial Hospital

Statement of Changes in Fund Balance

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total Funds</u>
Balances - January 1, 2001	\$ 17,353,420	\$ 44,748	\$ 17,398,168
Revenue and gains in excess of expenses	3,841,982	-	3,841,982
Transfer to unrestricted	16,222	(16,222)	-
Investment income - restricted fund	-	873	873
	<u>3,858,204</u>	<u>(15,349)</u>	<u>3,842,855</u>
Increase (decrease) in fund balances			
Balances - December 31, 2001	21,211,624	29,399	21,241,023
Revenue and gains in excess of expenses	3,175,811	-	3,175,811
Investment income - restricted fund	-	351	351
	<u>3,175,811</u>	<u>351</u>	<u>3,176,162</u>
Increase (decrease) in fund balances			
Balances - December 31, 2002	<u>\$ 24,387,435</u>	<u>\$ 29,750</u>	<u>\$ 24,417,185</u>

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund

	Year Ended December 31	
	2002	2001
Cash Flows from Operating and Nonoperating Activities		
Cash received from patients and third-party payors	\$ 16,536,139	\$ 17,166,723
Cash payments to suppliers for services and goods	(6,206,943)	(6,057,685)
Cash payments to employees for services	(7,997,836)	(7,360,155)
Bond levy income	411,722	318,016
Other operating revenue received	444,495	419,054
Interest paid	(54,363)	(68,263)
	<u>3,133,214</u>	<u>4,417,690</u>
Net cash provided by operating and nonoperating activities		
Cash Flows from Investing Activities		
Proceeds from maturities of investments	3,376,512	3,850,632
Purchases of investments	(4,870,662)	(6,029,312)
Investment income received	578,030	556,538
Increase in assets whose use is limited	(57,044)	(149,374)
Disbursements - restricted funds	-	16,222
	<u>(973,164)</u>	<u>(1,755,294)</u>
Net cash used in investing activities		
Cash Flows from Non-Capital and Related Financing Activities		
Donations and other	128,099	208,535
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(1,465,044)	(488,927)
Repayment of bonds payable	(145,000)	(145,000)
Payments on capital lease obligations	(123,295)	(160,476)
	<u>(1,733,339)</u>	<u>(794,403)</u>
Net cash used in capital and related financing activities		
Net Increase in Cash and Cash Equivalents	554,810	2,076,528
Cash and Cash Equivalents - Beginning of year	<u>3,878,868</u>	<u>1,802,340</u>
Cash and Cash Equivalents - End of year	\$ 4,433,678	\$ 3,878,868
Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Cash and cash equivalents in current assets	3,406,626	3,091,391
Cash and cash equivalents in assets whose use is limited	<u>1,027,052</u>	<u>787,477</u>
Total Cash and Cash Equivalents	\$ 4,433,678	\$ 3,878,868

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund (Cont.)

A reconciliation of income from operations to net cash from operating and non-operating activities is as follows:

	Year Ended December 31	
	<u>2002</u>	<u>2001</u>
Cash Flows from Operating and Non-Operating Activities		
Income from operations	\$ 2,469,682	\$ 3,076,909
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and non-operating gains		
Depreciation and amortization	1,119,448	1,012,994
Provision for bad debts	893,858	489,183
Decrease (increase) in patient accounts receivable	(1,607,056)	(387,974)
Decrease (increase) in inventories	(28,912)	85,112
Decrease (increase) in prepaid expenses and other	11,042	(13,177)
Increase (decrease) in accounts payable	145,745	27,255
Increase (decrease) in accrued payroll	61,041	37,289
Increase (decrease) in other accrued expenses	<u>68,366</u>	<u>90,099</u>
Net cash provided by operating and non-operating activities	<u>\$ 3,133,214</u>	<u>\$ 4,417,690</u>

Wyandot Memorial Hospital

Notes to Financial Statements December 31, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies

Organization – 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 twelve 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.

Basis of Presentation – The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America as recommended in the Audit Guide (Audits of Providers of Health Care Services) published by the American Institute of Certified Public Accountants. The significant accounting policies conform to accounting principles generally accepted in the United States of America for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to the extent that they do not contradict or conflict with 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 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 statements of cash flows of general funds.

Investments – Investments consist of certificates of deposit.

Inventories – Inventories, consisting of medical and office supplies and pharmaceutical products, are stated at cost, determined by the first-in, first-out method.

Assets Limited as to Use – Assets limited as to use consist of invested funds designated by the Hospital'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.

Wyandot Memorial Hospital

Notes to Financial Statements December 31, 2002 and 2001

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

Property and Equipment – Property and equipment 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 leases 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. Cost of maintenance and repairs are charged to expense when incurred.

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.

Compensated Absences – Vacation and sick pay are charged to operations when earned. Earned and unused benefits are recorded as a current liability in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those 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. Retroactive adjustments to these estimated amounts are recorded in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations 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 - 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 non-operating gains and losses.

Wyandot Memorial Hospital

Notes to Financial Statements December 31, 2002 and 2001

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

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.

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.

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.

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

Unrestricted and Restricted Funds - Restricted funds represent contributions and bequests whose use is specified by the donor. Restricted gifts and other restricted resources are initially recognized as revenue of the restricted fund and are recognized by the Hospital as direct additions to the general fund in the period in which the expenditures are made for the purpose intended by the donor.

Unrestricted funds represent contributions and bequests upon which donors place no restrictions or accumulations that arise as a result of the operation of the Hospital for its stated purpose. Assets limited as to use are not considered to be restricted funds. Unrestricted contributions are included in non-operating revenue in the statements of revenue and expenses in the period received by the Hospital.

Bond Levy Income - In 1991, a tax levy was passed to provide the Hospital with unrestricted operating funds through 2006. Due to the bond retirement account being fully funded as of December 31, 2002, the Hospital received no further proceeds after that date. Proceeds from the tax levy have been included in operating revenues in the accompanying financial statements.

Reclassifications - Certain prior period balances were reclassified for consistency with current year presentation.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 2 – Deposits and Investments

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

	Cash and Cash Equivalents	Investments	Assets Limited as to Use	Restricted Cash and Cash Equivalents
2002				
Deposits	\$ 3,406,626	\$ -	\$ 1,027,052	\$ 14,750
Certificates of Deposit	-	9,825,822	1,167,611	15,000
Total	\$ 3,406,626	\$ 9,825,822	\$ 2,194,663	\$ 29,750
<hr/>				
2001				
Deposits	\$ 3,091,391	\$ -	\$ 787,477	\$ 14,399
Certificates of Deposit	-	8,331,672	1,110,567	15,000
Total	\$ 3,091,391	\$ 8,331,672	\$ 1,898,044	\$ 29,399

Deposits	2002	2001
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 15,654,148	\$ 13,559,070
Amount of deposits covered by federal depository insurance	400,000	400,000
Amount of deposits uninsured	\$ 15,254,148	\$ 13,159,070

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 2 – Deposits and Investments (Cont.)

Assets Limited as to Use - The composition of assets whose use is limited is set forth below. Investments are stated at cost.

	<u>2002</u>	<u>2001</u>
By Board, for capital improvements		
Cash	\$ 25,632	\$ 25,428
Certificates of deposit	1,167,610	1,110,567
Money market accounts	<u>201,360</u>	<u>198,439</u>
Total	1,394,602	1,334,434
Held by Trustee, under Bond Indenture agreements - money market accounts	<u>800,061</u>	<u>563,610</u>
Total	<u>\$ 2,194,663</u>	<u>\$ 1,898,044</u>

Note 3 – Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2002</u>	<u>2001</u>
Total patient accounts receivable	\$ 6,838,182	\$ 5,340,984
Less allowance for:		
Uncollectible accounts	(779,000)	(757,000)
Contractual adjustments	(2,327,000)	(1,565,000)
Net patient accounts receivable	<u>\$ 3,732,182</u>	<u>\$ 3,018,984</u>

Note 4 – Cost Report Settlements

Approximately 53 percent of the Hospital's revenues from patient services are received from the Medicare and Medicaid programs in both 2002 and 2001. 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 - 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 is held harmless under this new pay schedule until July 31, 2003.

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 5 - Property, Plant and Equipment

Property and equipment is summarized at December 31, 2002, as follows:

	2002	2001	Depreciable Life-Years
Land and land improvements	\$ 193,432	\$ 193,432	
Buildings and building improvements	7,465,492	7,436,781	15-40
Building service equipment	777,934	758,984	5-20
Major movable equipment	6,326,043	5,636,636	2-25
Major movable equipment - capital leases	<u>613,326</u>	<u>892,933</u>	5
Total	15,376,227	14,918,766	
Less accumulated depreciation	<u>8,648,531</u>	<u>8,542,388</u>	
Property and equipment - net	<u>\$ 6,727,696</u>	<u>\$ 6,376,378</u>	

Depreciation expense totaled \$1,113,726 and \$1,007,271 in 2002 and 2001, respectively.

Note 6 - Bonds Payable and Capital Lease Obligations

Debt outstanding at December 31, 2002 and 2001, 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 6.5 and 6.4 percent in 2002 and 2001, respectively, with annual principal payments of \$145,000 due through December 1, 2006.

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 6 – Bonds Payable and Capital Lease Obligations (Cont.)

Bonds payable and equipment under capital leases are summarized at December 31, 2002, as follows:

	2002	2001
Crane, Mifflin, Pitt and Salem Joint Township Hospital Improvement Bonds, 1990	\$ 580,000	\$ 725,000
Obligations under capital lease	<u>206,434</u>	<u>329,729</u>
Total	786,434	1,054,729
Less: current portion	<u>270,972</u>	<u>268,296</u>
Long-term portion	<u><u>\$ 515,462</u></u>	<u><u>\$ 786,433</u></u>

At December 31, 2002, future minimum payments and the present value of net minimum lease payments under capital lease obligations are as follows:

<u>Year</u>	<u>Capital Leases</u>
2003	\$ 129,260
2004	<u>81,214</u>
Total future minimum payments	210,474
Less amounts representing interest	<u>4,040</u>
Total present value of net minimum lease payments	206,434
Less current portion	<u>125,972</u>
Long-term portion	<u><u>\$ 80,462</u></u>

	2002	2001
Cost of equipment under capital lease	\$ 613,326	\$ 892,933
Less accumulated amortization	<u>372,363</u>	<u>575,305</u>
Net carrying amount	<u><u>\$ 240,963</u></u>	<u><u>\$ 317,628</u></u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 7 – Net Patient Service Revenue

Net patient service revenue consists of the following.

Revenue	2002	2001
Inpatient services:		
Routine services	\$ 2,388,524	\$ 2,300,349
Ancillary services	8,048,738	7,304,475
Outpatient ancillary services	19,168,341	17,909,436
Total patient revenue	29,605,603	27,514,260
Revenue deductions		
Provision for contractual allowances	11,201,502	9,719,112
Provision for charity care	260,906	240,451
Total revenue deductions	11,462,408	9,959,563
Total net patient service revenue	<u>\$ 18,143,195</u>	<u>\$ 17,554,697</u>

Note 8 – 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 9 – Defined Benefit Pension Plan

Plan Description - The Hospital contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement System. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 available to the public that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing 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).

Note 9 – Defined Benefit Pension Plan (Cont.)

Funding Policy - Plan members are required to contribute 8.50 percent of their annual covered salary, and the Hospital is required to contribute at an actuarially determined rate of annual covered payroll. The rate was 13.55 percent during 2002. The contribution requirement of plan members and the Hospital is established and may be amended by the OPERS Board of Trustees. The Hospital's contributions to OPERS for the years ended December 31, 2002, 2001 and 2000, were \$860,466, \$768,500, and \$541,817, respectively. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

Post-Retirement Benefits - Ohio Public Employees Retirement System provides post-retirement health care coverage to age and service retirants with ten 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 Post-Employment 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 post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 and 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll. Of this amount, 5.0 percent and 4.3 percent was the portion that was used to fund health care during 2002 and 2001, respectively. The portion of the employer's contribution used to fund post-employment benefits for 2002 and 2001 was \$317,578, and \$243,845, respectively.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The number of active contributing participants during 2001 was 402,041. As of December 31, 2001, the actuarial value of the Retirement System's net assets available for OPEB was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2002 and 2001

Note 10 – 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.

There are pending lawsuits against the Hospital, for which the damages sought by the plaintiffs are not presently established. There is insurance coverage, but it is possible the liability for the lawsuits may exceed the aggregate insurance coverage. Presently, it is not possible to determine the resolution of the lawsuits or amount of liability, if any. The Hospital believes the claims will be settled within insurance limits. During the last three years claims have not exceeded insurance coverage amounts.

Note 11 – Wyandot Health Foundation and Wyandot Health Corporation (Related Parties)

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 Wyandot Memorial Hospital. The Foundation donated cash and equipment on behalf of the Hospital totaling \$17,696 and \$51,338 for the years ended December 31, 2002 and 2001, respectively, which was recorded by the Hospital as unrestricted gifts. The accompanying financial statements do not include the assets, obligations, revenues or expenses of the Foundation.

Wyandot Health Corporation was established on January 1, 1992, as a subsidiary of the Foundation, to engage in health related activities for the benefit of persons residing in the geographic area served by Wyandot Memorial Hospital. Wyandot Health Corporation formed a partnership with Medserve Corporation, with Wyandot Health Corporation holding a 40% ownership interest. The partnership operates under the name Lifetime Home Medical Equipment and engages in the business of selling and/or renting home medical equipment. Lifetime Home Medical Equipment ceased operations as of May 31, 2001.

Note 12 - New Accounting Pronouncement

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under the provisions of this GASB standard, which becomes effective for the Hospital's year ending December 31, 2003, the Hospital will use business type reporting activity (BTA). BTA reporting will require the Facility to present management's discussion and analysis (MD&A) of financial results, a statement of net assets or a balance sheet, a statement of revenue, expenses and changes in net assets, a statement of cash flows, notes to the financial statements, and other required supplementary information. The required basic financial statements described above will be prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial information is not required for BTA reporting.

Financial reporting under GASB 34 will require reporting fund balance as net assets, reporting tax revenues as non-operating income, changing certain financial statement disclosure formats including the property and equipment and long-term debt disclosures, and including the MD&A. Management has not yet determined the effect of the implementation of this statement on the Hospital's financial statements.

Additional Information



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To the Joint Township Hospital Boards of Directors and Hospital Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited the financial statements of Wyandot Memorial Hospital for the years ended December 31, 2002 and 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of gross patient service revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 27, 2003

Wyandot Memorial Hospital

Supplemental Schedule of Gross Patient Service Revenues December 31, 2002

Department	2002 Patient Service Revenue			2001 Total
	In-Patient	Out-Patient	Total	
Laboratory and Pathology	\$ 972,243	\$ 3,247,197	\$ 4,219,440	\$ 4,178,157
Radiology	388,671	2,014,453	2,403,124	2,490,269
Materials Management	988,411	1,244,622	2,233,033	2,348,514
Pharmacy	1,938,879	2,157,659	4,096,538	3,005,304
Operating Room	734,256	828,172	1,562,428	1,693,111
Medical and Surgical	1,748,430	212,398	1,960,828	1,852,217
Respiratory Therapy	982,164	371,845	1,354,009	1,154,258
Physician Services Revenue	-	1,089,218	1,089,218	1,126,716
Emergency Room	260,952	1,060,418	1,321,370	1,280,565
EKG	344,215	1,049,489	1,393,704	1,382,997
Emergency Room Physician Fees	133,548	894,308	1,027,856	1,037,573
Coronary Care Unit	386,245	41,056	427,301	456,184
Nuclear Medicine	71,382	1,142,038	1,213,420	1,166,649
Physical Therapy	120,479	809,109	929,588	847,025
CT Scan	329,706	949,969	1,279,675	1,002,573
Cardiac Rehabilitation	6,992	302,270	309,262	297,122
MRI	11,368	473,222	484,590	532,914
Anesthesia and CRNA	69,063	128,483	197,546	198,078
Outpatient Clinic	45,970	740,069	786,039	616,419
Obstetrical	149,779	-	149,779	156,890
Delivery Room	105,974	44,600	150,574	143,823
Nursery	102,255	-	102,255	121,828
Blood Administration	152,107	47,314	199,421	227,508
EEG	386,013	32,970	418,983	50,553
Durable Medical Equipment	-	287,462	287,462	135,407
Other	8,160	-	8,160	11,606
	\$ 10,437,262	\$ 19,168,341	29,605,603	27,514,260
Less amounts considered charity care			(260,906)	(240,451)
Total			\$ 29,344,697	\$ 27,273,809

Wyandot Memorial Hospital

Supplemental Schedule of Operating Expenses December 31, 2002

Department	2002 Expenses			2001 Total
	Salaries and Wages	Other Expenses	Total	
Administrative and General	\$ 756,961	\$ 3,855,668	\$ 4,612,629	\$ 4,001,771
Laboratory and Pathology	379,609	765,180	1,144,789	1,103,385
Emergency Room	335,930	933,121	1,269,051	1,190,280
Physician Services	945,153	516,095	1,461,248	1,572,580
Operating Room	324,667	784,148	1,108,815	1,085,788
Medical and Surgical	832,313	261,301	1,093,614	974,670
Radiology	401,714	222,577	624,291	604,554
Pharmacy	167,980	668,377	836,357	681,355
Dietary	228,792	233,114	461,906	469,266
Nuclear Medicine/MRI	69,973	320,349	390,322	318,399
Plant	113,428	124,662	238,090	196,712
Coronary Care Unit	235,133	67,527	302,660	291,102
Respiratory Therapy	173,332	82,890	256,222	228,609
Physical Therapy	-	238,737	238,737	221,371
Housekeeping	157,575	49,343	206,918	207,388
EKG	111,550	107,797	219,347	200,452
CT Scan	29,945	47,954	77,899	198,725
Medical Records	163,407	70,115	233,522	209,180
Nursing Administration	117,929	40,006	157,935	137,816
Cardiac Rehabilitation	116,431	50,121	166,552	168,336
Outpatient Clinic	212,039	108,016	320,055	239,722
Obstetrical	95,920	71,762	167,682	143,915
Anesthesia and CRNA	-	56,708	56,708	40,000
Materials Management	65,719	26,434	92,153	95,568
Nursery	134,213	16,419	150,632	143,981
Linen	13,512	69,885	83,397	106,253
Labor and Delivery	24,168	10,823	34,991	37,274
Biomedical Engineering	42,754	5,613	48,367	59,568
Blood Administration	-	64,428	64,428	71,679
Social Services	20,307	2,942	23,249	21,870
Industrial Physicals	71,379	55,095	126,474	95,628
EEG	6,273	92,097	98,370	12,955
DME Services	88,238	72,634	160,872	84,694
Prenatal Education	-	1,448	1,448	12
Total	\$ 6,436,344	\$ 10,093,386	\$ 16,529,730	\$ 15,214,858

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

To the Joint Township Hospital Board of Directors and Hospital Board of Govenors
Wyandot Memorial Hospital
Upper Sandusky, Ohio

We have audited the financial statements of Wyandot Memorial Hospital as of and for the year ended December 31, 2002, and have issued our report thereon dated March 27, 2003. 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 Wyandot Memorial Hospital 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Condition - We were unable to obtain evidence that the Hospital has a written policy in regards to the availability of records open to public inspection, costs of copies and times when records are available for inspection. Further, the Hospital is required to publish notice in local newspapers that informs the public the financial information (at year-end) is available for inspection. Finally, the Hospital should inform the general public, through reasonable means, of when and where board meetings are to be held.

Criteria - During our testing of Ohio Compliance Supplement, Chapter 7, Part 2, Section A: General, (7-5, 7-8, 7-9 compliance requirements) we noted the above conditions. These compliance sections relate to Ohio Revised Code sections 117.38, 121.22, and 149.43.

Recommendation - We recommend the Hospital develop and maintain a written policy in relation to documents which are open for public inspection, costs of copies and times when records may be reviewed. Further, we recommend the Hospital post notice in local newspapers that inform the public of the availability of the year-end financial statements and how they obtain them and when and where board meetings are to be held.

Condition - We noted that the Hospital has invested in certificates of deposit which mature in greater than one year without passing a resolution to deem these funds as inactive deposits.

Criteria - During our testing of Ohio Compliance Supplement, Chapter 5, Section A: Subdivisions Other Than Counties, (5-1(a) compliance requirements) we noted the above condition. This compliance section relates to Ohio Revised Code sections 135.13 and 135.05.

Recommendation - We recommend the Board pass a resolution to deem certificates of deposit with a maturity greater than one year to be inactive deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wyandot Memorial 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; however, a report was issued to management under separate cover regarding internal control issues and other operational 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 and Board of Governors of Wyandot Memorial 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 27, 2003



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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
JUNE 24, 2003**