Wyandot Memorial Hospital

Financial Report
with Additional Information
December 31, 2009

Mary Taylor, CPA
Auditor of State

Board of Governors
Wyandot Memorial Hospital
885 N. Sandusky Avenue
Upper Sandusky, Ohio 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, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 27, 2010

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Wyandot Memorial Hospital

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Independent Auditor's Report

To the Board of Governors
Wyandot Memorial Hospital

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Wyandot Memorial Hospital (the "Organization") as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Wyandot Memorial Hospital at December 31, 2009 and 2008 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 May 12, 2010 on our consideration of Wyandot Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 effectiveness of 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 read in conjunction with this report in considering the results of our audits.

Plante & Moran, PLLC

May 12, 2010

Management's Discussion and Analysis

The discussion and analysis of Wyandot Memorial Hospital's (the "Hospital") financial statements provides an overview of the Hospital's financial activities for the years ended December 31, 2009, 2008, and 2007. Management is responsible for the completeness and fairness of the financial statements and the related note 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 the 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.

Financial Highlights

The Hospital's financial position improved significantly during the year ended December 31, 2009. Current assets increased by $6,330,658, or 27.8 percent, and general long-term investments decreased by $4,303,684, or 37.4 percent, from the prior year. The change is due to an increase in cash, and a move to short-term instead of long-term investments. In total, the Hospital's net assets increased by $3,065,220, or 8.0 percent, from the previous year. The increase in net assets for 2008 was 5.7 percent, and for 2007 the increase was 5.7 percent. The increased net assets were primarily caused by an 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 the Hospital's net assets by category for the years ended December 31, 2009, 2008, and 2007:

	Year Ended December 31		
	2009	2008	2007
Net Assets			
Invested in capital assets - Net of related debt	$ 6,561,593	$ 6,291,752	$ 6,498,497
Restricted for debt service and other purposes	2,281,017	2,212,378	2,127,226
Unrestricted	32,480,547	29,753,807	27,559,108

In the year ended December 31, 2009, the Hospital's revenues and other support exceeded expenses, creating an increase in net assets of $3,065,220. The increase for 2008 and 2007 was $2,073,106 and $1,966,296, respectively.

The Balance Sheet and the Statement of Revenue, 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 balance sheet and the statement of revenue, 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 nonfinancial factors, such as the trend in patient days, outpatient visits, conditions of the buildings, and strength of the medical staff, to assess the overall health of the Hospital.

The financial statements of the Hospital 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.

Condensed Financial Information

The following is a comparative analysis of the major components of the balance sheet of the Hospital as of December 31, 2009, 2008, and 2007:

	December 31			2009/2008 Change	
	2009	2008	2007	Amount	Percent
Assets					
Current assets	$ 29,072,730	$ 22,742,072	$ 19,400,807	$ 6,330,658	27.8 %
Assets limited as to use	2,281,017	2,212,378	2,127,226	68,639	3.1 %
General long-term investments	7,204,995	11,508,679	10,844,875	(4,303,684)	-37.4%
Capital assets	6,561,593	6,291,752	6,498,497	269,841	4.3%
Total assets	**$45,120,335**	**$42,754,881**	**$38,871,405**	**$2,365,454**	5.5%
Liabilities - Current liabilities	$ 3,797,178	$ 4,496,944	$ 2,686,574	$ (699,766)	-15.6%
Net Assets					
Invested in capital assets - Net of debt	6,561,593	6,291,752	6,498,497	269,841	4.3 %
Restricted	2,281,017	2,212,378	2,127,226	68,639	3.1 %
Unrestricted	32,480,547	29,753,807	27,559,108	2,726,740	9.2 %
Total net assets	41,323,157	38,257,937	36,184,831	3,065,220	8.0 %
Total liabilities and net assets	**$45,120,335**	**$ 42,754,881**	**$38,871,405**	**$ 2,365,454**	5.5 %

The primary change in the Hospital's balance sheet relates to the increase in unrestricted net assets. Operating results were favorable and contributed to the 8.0 percent change in net assets for 2009 compared to a 5.7 percent change for 2008 and a change of 5.7 percent for 2007.

Operating Results for the Year

The following is a comparative analysis of the major components of the statement of revenue, expenses, and changes in net assets of the Hospital for the years ended December 31, 2009, 2008, and 2007:

	Year Ended December 31			2009/2008 Change	
	2009	2008	2007	Amount	Percent
Operating Revenue					
Net patient service revenue	$ 24,617,671	$ 21,992,099	$ 21,392,274	$ 2,625,572	11.9 %
Other	508,954	533,393	555,376	(24,439)	-4.6 %
Total operating revenue	25,126,625	22,525,492	21,947,650	2,601,133	11.5 %
Operating Expenses					
Salaries and wages	8,832,541	8,980,928	8,867,415	(148,387)	-1.6 %
Employee benefits and payroll taxes	2,644,243	2,785,567	2,705,776	(141,324)	-5.1 %
Operating supplies and expenses	4,698,209	3,779,803	3,039,579	918,406	24.3 %
Purchased services	5,296,637	4,775,845	4,805,240	520,792	10.9 %
Insurance	303,843	316,526	663,419	(12,683)	-4.0 %
Depreciation and amortization	1,379,197	1,233,734	1,329,711	145,463	11.8 %
Total operating expenses	23,154,670	21,872,403	21,411,140	1,282,267	5.9 %
Operating Income	1,971,955	653,089	536,510	1,318,866	201.9%
Nonoperating Revenue					
Interest income	981,339	1,295,336	1,192,750	(313,997)	-24.2%
Contributions and other income	111,926	124,681	237,036	(12,755)	-10.2%
Increase in Net Assets	3,065,220	2,073,106	1,966,296	992,114	47.8%
Net Assets - Beginning of year	38,257,937	36,184,831	34,218,535	2,073,106	5.7%
Net Assets - End of year	**$ 41,323,157**	**$ 38,257,937**	**$ 36,184,831**	**$ 3,065,220**	8.0%

Operating Revenue

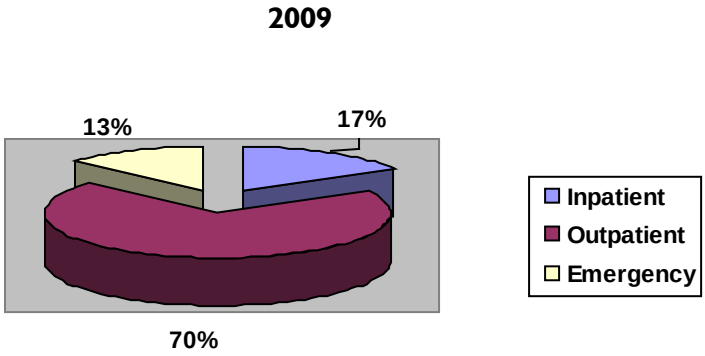
Operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as inpatient services, outpatient services, physician offices, and the cafeteria.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 11.9 percent. This was attributable to an increase in charges, expanded services in some departments, and increases in volumes for certain outpatient 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 accounts that are uncollectible or the amounts not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, Medical Mutual, and commercial carriers. These revenue deductions for 2009 are 51.3 percent as a percentage of gross revenue and they were 50.3 percent for 2008. The change in revenue deductions is due in part to increases of managed care participation (Medicare and Medicaid) and charity care.

- Other operating revenue decreased 4.6 percent for 2009 which was due in part to a decrease in Jobcare and cafeteria sales. In 2008, other operating revenue decreased 4.0 percent and in 2007 it increased 1.9 percent.

- The following is a graphic illustration of operating revenues by source:



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 decreased 1.6 percent, due in part to closing a physician practice, reduced staffing, and offset by annual salary adjustments. Salary costs increased 1.3 percent for 2008 and 4.5 percent for 2007.

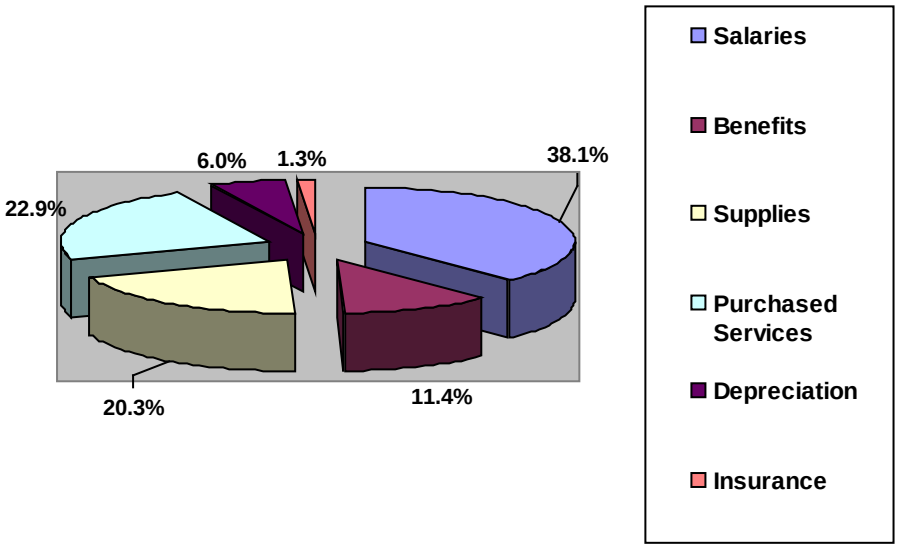
- Benefit costs decreased 5.1 percent, due to decreases in benefits including health insurance and workers' compensation insurance premiums paid by the Hospital for covered employees. Benefits increased 2.9 percent in 2008 and 7.5 percent in 2007.

- Supplies increased 24.3 percent, due in part to increased patient utilization of hospital services including pain management, oncology services, and startup of the Wound Care Center. In 2008, supplies increased 24.4 percent and in 2007 they decreased 15.2 percent.

- Insurance costs decreased 4.0 percent, due in part to good claims experience and the closing of a physician practice. Insurance costs decreased 52.3 percent for 2008. The increase for 2007 was 74.7 percent, which was the third year of a change from an occurrence to a claims-made policy for malpractice insurance.

- Purchased services increased 10.9 percent, due in part to increased physician fees for oncology, ER, surgery, and physician services, physical therapy, and lab fees. There was a decrease of .1 percent for 2008 and a 1.5 percent increase for 2007.

- The following is a graphic illustration of operating expenses by type:



Nonoperating Revenue (Expenses)

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

There was a decrease in nonoperating revenue from the prior year. This was due to a decrease in contributions and a decrease in interest income due to declining interest rates.

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

	Year Ended December 31			
	2009	2008	2007	2009/2008 Increase (Decrease)
Cash Provided by (Used in)				
Operating activities	$ 2,337,743	$ 3,928,334	$ 3,205,890	$ (1,590,591)
Capital and noncapital related financing activities	(1,537,503)	(907,527)	(558,459)	(629,976)
Investing activities	6,993,569	(904,202)	(1,385,257)	7,897,771
Net Increase in Cash and Cash Equivalents	7,793,809	2,116,605	1,262,174	5,677,204
Cash and Cash Equivalents - Beginning of year	6,003,265	3,886,660	2,624,486	2,116,605
Cash and Cash Equivalents - End of year	**$ 13,797,074**	**$ 6,003,265**	**$ 3,886,660**	**$ 7,793,809**

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 $1,590,591 over the prior year. This was due in part to an increase in third-party settlements and payments for goods and services offset by an increase in payments from patient accounts. Cash from operating activities increased $722,444 in 2008 and $1,029,170 in 2007.

Capital purchases were greater than prior year, thereby contributing to a decrease in the available cash of $629,976 for 2009.

Investing activities were down from prior periods, resulting in more available cash of $7,897,771.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2009, the Hospital had $20,295,774 invested in capital assets, which was netted against accumulated depreciation of $13,734,181. Capital assets for 2008 and 2007 were $19,361,267 and $18,642,246, respectively. Depreciation and amortization totaled $1,379,197 for the current year compared to $1,233,734 last year and $1,329,711 for 2007. Details of these assets for the past three years are shown below:

	2009	2008	2007	2009/2008 Increase
Land	$ 45,000	$ 45,000	$ 45,000	$ -
Land improvements	234,392	200,056	170,007	34,336
Buildings and improvements	9,158,156	8,854,153	8,804,959	304,003
Furniture, fixtures, and equipment	10,858,226	10,262,058	9,622,280	596,168
Total	**$ 20,295,774**	**$ 19,361,267**	**$18,642,246**	**$ 934,507**

Debt

For the years ended December 31, 2009, 2008, and 2007, the Hospital had no outstanding debt.

Although the Hospital has no debt obligations, it has in the past made strides to pay it down and has done so in alignment with its prescribed debt schedules.

Economic Factors that Will Affect the Future

The economic position of the Hospital is closely tied to that of the local medical staff. The Hospital continually works to maintain an appropriate number of physicians in the community to ensure that the medical needs of the public are met and to help maintain the financial viability of the Hospital. In July 2009, a non-performing physician's practice was closed and in October another physician resigned. To offset the loss of the two physicians, a current physician's practice was expanded using a physician extender. Recruitment of additional physicians is expected to continue in 2010. Much of Hospital reimbursement is limited by federal and state mandates. Effective March 2005, the Hospital obtained critical access status from the Medicare program. The Hospital is reimbursed the reasonable cost for Medicare services provided to beneficiaries. 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 governors approved an average increase of 3 percent in the charge structure for the upcoming fiscal year.

Contacting the Hospital's Management

This financial report is intended to provide our member townships with a general overview of the Hospital's finances and to show the Hospital'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

Balance Sheet

	December 31, 2009		December 31, 2008	
	Hospital	Component Unit	Hospital	Component Unit
Assets				
Current Assets				
Cash and cash equivalents (Note 2)	$ 13,362,174	$ 666,965	$ 5,751,202	$ 880,929
Short-term investments (Note 2)	11,841,475	-	13,435,823	-
Accounts receivable (Note 4)	2,683,627	-	2,730,616	-
Other current assets:				
Prepaid expenses	741,850	-	362,196	-
Inventory	443,604	-	462,235	-
Total current assets	29,072,730	666,965	22,742,072	880,929
Assets Limited as to Use (Note 3)	2,281,017	-	2,212,378	-
General Long-term Investments (Note 2)	7,204,995	1,647,604	11,508,679	1,275,080
Capital Assets (Note 5)	6,561,593	-	6,291,752	-
Total assets	**$ 45,120,335**	**$ 2,314,569**	**$ 42,754,881**	**$ 2,156,009**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 539,143	$ -	$ 1,018,399	$ -
Estimated third-party payor settlements (Note 6)	1,339,069	-	1,607,719	-
Accrued compensated absences (Note 7)	667,890	-	675,339	-
Accrued liabilities and other (Note 8)	1,251,076	-	1,195,487	-
Total current liabilities	3,797,178	-	4,496,944	-
Net Assets				
Invested in capital assets - Net of related debt	6,561,593	-	6,291,752	-
Restricted:				
Nonexpendable permanent endowments	15,000	-	15,000	-
Restricted for capital acquisitions	2,266,017	1,125,008	2,197,378	1,125,008
Unrestricted	32,480,547	1,189,561	29,753,807	1,031,001
Total net assets	41,323,157	2,314,569	38,257,937	2,156,009
Total liabilities and net assets	**$ 45,120,335**	**$ 2,314,569**	**$ 42,754,881**	**$ 2,156,009**

See Notes to Financial Statements.

Wyandot Memorial Hospital

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended			
	December 31, 2009		December 31, 2008	
	Hospital	Component Unit	Hospital	Component Unit
Operating Revenues				
Net patient service revenue	$ 24,617,671	$ -	$ 21,992,099	$ -
Other	508,954	-	533,393	-
Total operating revenues	25,126,625	-	22,525,492	-
Operating Expenses				
Salaries and wages	8,832,541	-	8,980,928	-
Employee benefits and payroll taxes	2,644,243	-	2,785,567	-
Operating supplies and expenses	4,698,209	36,606	3,779,803	36,977
Purchased services	5,296,637	-	4,775,845	-
Insurance	303,843	-	316,526	-
Depreciation and amortization	1,379,197	-	1,233,734	-
Total operating expenses	23,154,670	36,606	21,872,403	36,977
Operating Income (Loss)	1,971,955	(36,606)	653,089	(36,977)
Nonoperating Revenue				
Interest income	981,339	152,576	1,295,336	20,388
Contributions and other income	111,926	42,590	124,681	37,807
Total nonoperating revenue	1,093,265	195,166	1,420,017	58,195
Increase in Net Assets	3,065,220	158,560	2,073,106	21,218
Net Assets - Beginning of year	38,257,937	2,156,009	36,184,831	2,134,791
Net Assets - End of year	**$ 41,323,157**	**$ 2,314,569**	**$ 38,257,937**	**$ 2,156,009**

See Notes to Financial Statements.

Wyandot Memorial Hospital

Statement of Cash Flows

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Hospital	Component Unit	Hospital	Component Unit
Cash Flows from Operating Activities				
Cash received from patients and third-party payors	$ 24,396,010	$ -	$ 23,560,553	$ -
Cash paid to suppliers for services and goods	(11,138,577)	(36,606)	(8,321,940)	(36,977)
Cash paid to employees for services	(11,428,644)	-	(11,843,672)	-
Other receipts from operations	508,954	-	533,393	-
Net cash provided by (used in) operating activities	2,337,743	(36,606)	3,928,334	(36,977)
Cash Flows from Noncapital Financing Activities -				
Noncapital grants and contributions	111,926	42,590	124,681	37,807
Cash Flows from Investing Activities				
Purchase of investments	(7,310,269)	(767,215)	(9,926,987)	(925,525)
Proceeds from sale and maturities of investments	13,208,301	394,691	8,006,146	244,324
Increase in assets limited as to use	114,198	-	(278,697)	-
Investment income	981,339	152,576	1,295,336	20,388
Net cash provided by (used in) investing activities	6,993,569	(219,948)	(904,202)	(660,813)
Cash Flows from Capital and Related FInancing Activities - Acquisition and construction of capital assets	(1,649,429)	-	(1,032,208)	-
Net Increase (Decrease) in Cash and Cash Equivalents	7,793,809	(213,964)	2,116,605	(659,983)
Cash and Cash Equivalents - Beginning of year	6,003,265	880,929	3,886,660	1,540,912
Cash and Cash Equivalents - End of year	**$ 13,797,074**	**$ 666,965**	**$ 6,003,265**	**$ 880,929**

See Notes to Financial Statements.

Wyandot Memorial Hospital

Statement of Cash Flows (Continued)

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Hospital	Component Unit	Hospital	Component Unit
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	$ 1,971,955	$ (36,606)	$ 653,089	$ (36,977)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	1,379,197	-	1,233,734	-
Provision for bad debts	1,670,744	-	1,773,389	-
Loss on disposal of assets	392	-	5,218	-
Changes in assets and liabilities:				
Patient accounts receivable	(1,623,755)	-	(1,460,654)	-
Inventories	18,631	-	(28,932)	-
Prepaid expenses and others	(379,655)	-	(57,880)	-
Accounts payable	(479,256)	-	631,828	-
Accrued expenses	(220,510)	-	1,178,542	-
Net cash provided by (used in) operating activities	**$ 2,337,743**	**$ (36,606)**	**$ 3,928,334**	**$ (36,977)**
Supplemental Cash Flow Information - Cash and cash equivalents				
Included in current assets	$ 13,362,174	$ 666,965	$ 5,751,202	$ 880,929
Included in assets limited as to use	434,900	-	252,063	-

Note 1 - Nature of Business and Significant Accounting Policies

Organization - The accompanying financial statements include the accounts of Wyandot Memorial Hospital and Wyandot Health Foundation, Inc. (collectively, the "Organization").

Wyandot Memorial Hospital (the "Hospital"), as the primary government and business-type activity, 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 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 medical doctor. 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"), as the discretely presented component unit, was established on June 10, 1985 per authority of the Ohio Revised Code. The Foundation is a nonprofit entity that raises funds on behalf 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. The Foundation is not a part of the primary government of the Hospital but, due to its relationship with the Hospital, it is discretely presented as a component unit within the Hospital's financial statements.

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; however, the Organization has elected not to apply provisions of the Financial Accounting Standards Board (FASB) 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 the purpose of the statement of cash flows.

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

Investments - Investments consist of certificates of deposit, money market accounts, and commercial and governmental bonds, which are stated at market value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in other income unless the income or loss is restricted by donor or law.

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

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

Assets Limited as to Use - Assets limited as to use consist of invested funds designated by the Organization's board of governors and the townships' boards of directors for the replacement, improvement, and expansion of the Organization's facilities. 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.

Capitalized Assets - Property and equipment amounts are recorded at cost. Depreciation is provided over the estimated useful life (3-40 years) of each class of depreciable asset and is computed using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

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

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 an Organization-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 Organization 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 Organization 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 noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization. Restricted nonexpendable net assets equal the principal portion of permanent endowments. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

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.

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

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

Net Patient Service Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization 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 with 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.

Operating Revenue and Expenses - The statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services - the Organization's principal activity. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Income from Operations - For the purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as other gains and losses.

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

Charity care provided, based on charges at established rates, was approximately $1,159,00 and $794,000 in 2009 and 2008, respectively.

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.

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

Contributions - Contributions of cash and other assets are 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 is recorded as nonoperating gains when received.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 12, 2010, which is the date the financial statements were available to be issued.

Note 2 - Deposits and Investments

Chapter 135 of the Ohio Uniform Depositor Act authorizes local governmental units to make deposits in any national bank located in the state, subject to inspection by the superintendent of financial institutions, as eligible to become a public depository. Section 135.14 of the Ohio Revised Code allows the local government to invest in United States Treasury bills, notes, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States of America, and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper, and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the auditor of state, by the treasurer or governing board investing in these instruments.

The Organization has designated six banks for the deposit of its funds. An investment policy has not been filed with the auditor of state on behalf of the Organization. Investment of interim funds is limited to bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds, and the Ohio subdivision's fund (STAR Ohio).

Statutes require the classification of funds held by the Organization into three categories:

Active Funds - Active funds are required to be kept in a “cash” or “near cash” status for immediate use by the system. Such funds must be maintained either in depository accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive Funds - Inactive funds are not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including but not limited to passbook accounts.

Note 2 - Deposits and Investments (Continued)

Interim Funds - Interim funds are funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio law permits interim funds to be invested or deposited in the following securities:

1. Bonds, notes, or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest
2. Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
4. Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit, maturing not more than one year from date of deposit, or by savings or deposit accounts, including but not limited to passbook accounts
5. Bonds and other obligations of the State of Ohio
6. The Ohio state treasurer's investment pool (STAR Ohio)
7. Commercial paper and bankers' acceptances which meet the requirements established by Ohio Revised Code, SEC 135.142
8. Under limited circumstances, corporate debt interest in either of the two highest rating classifications by at least two nationally recognized rating agencies

Protection of the Organization's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Organization and must be purchased with the expectation that it will be held to maturity.

Note 2 - Deposits and Investments (Continued)

The Organization's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk. At December 31, 2009 and 2008, the Hospital had approximately $19,106,000 and $25,099,000, respectively, of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and collateralized by various securities; the component unit had approximately $79,000 and $58,000 at December 31, 2009 and 2008, respectively, of bank deposits that were uninsured and uncollateralized. The Organization believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Organization evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Organization does not have a policy for custodial credit risk. At December 31, 2009 and 2008, the following investment securities at the component unit were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the component unit's name:

Type of Investment	Carrying Value	How Held
December 31, 2009:		
U.S. government agency bonds	$ 50,402	Counterparty
Corporate bonds	131,436	Counterparty
December 31, 2008:		
U.S. government agency bonds	$ 52,861	Counterparty
Corporate bonds	149,741	Counterparty

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Organization does not have an investment policy that addresses interest rate risk. At December 31, 2009 and 2008, the average maturities of investments at the component unit are as follows:

Investment	Fair Value	Weighted Average Maturity
December 31, 2009:		
U.S. government agency bonds	$ 50,402	13.49 years
Corporate bonds	131,436	0.97 years
December 31, 2008:		
U.S. government agency bonds	$ 52,861	14.62 years
Corporate bonds	149,741	1.29 years

Credit Risk

The Organization does not have an investment policy that addresses credit risk. At the end of the year, the credit quality ratings of debt securities (other than the U.S. government) held at the component unit are as follows:

Investment	Fair Value	Rating	Rating Organization
December 31, 2009:			
U.S. government agency bonds	$ 50,402	AAA	Standard & Poor's
Ford Motor Credit Comp. bonds	66,752	B-	Standard & Poor's
Prudential Financial bonds	64,684	A	Standard & Poor's
December 31, 2008:			
U.S. government agency bonds	$ 52,861	AAA	Standard & Poor's
General Motors Accep. Corp. bonds	58,514	CC	Standard & Poor's
Ford Motor Credit Comp. bonds	28,214	CCC+	Standard & Poor's
Prudential Financial bonds	63,014	A+	Standard & Poor's

Essentially all of the investments of the Hospital are held in certificates of deposit at December 31, 2009 and 2008. Essentially all of the investments of the component unit are held in certificates of deposit and commercial and governmental bonds at December 31, 2009 and 2008.

Note 3 - Assets Limited as to Use

Assets limited as to use consist of the following:

	2009	2008
Board-designated for capital improvements and professional liability:		
Cash and cash equivalents	$ 434,900	$ 252,063
Certificates of deposit	1,558,496	1,673,935
Money market accounts	230,559	230,134
Total board-designated for capital improvements and professional liability	2,223,955	2,156,132
Donor-designated for capital improvements and other purposes	22,135	21,360
Principal of permanent investments	15,000	15,000
Money market accounts	19,927	19,886
Total assets limited as to use	$ 2,281,017	$ 2,212,378

Note 4 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below as follows:

	2009	2008
Patient accounts receivable	$ 7,412,627	$ 7,317,616
Less:		
Allowance for uncollectible accounts	(1,200,000)	(1,900,000)
Allowance for contractual adjustments	(3,529,000)	(2,687,000)
Net patient accounts receivable	$ 2,683,627	$ 2,730,616

The Organization 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	
	2009	2008
Medicare	25	28
Medicaid	10	10
Commercial insurance and HMOs	41	33
Self-pay	24	29
Total	100	100

Note 5 - Capital Assets

The cost of capital assets and related depreciable lives for December 31, 2009 are summarized below:

	2008	Additions	Transfers	Retirements	2009	Depreciable Life - Years
Land	$ 45,000	$ -	$ -	$ -	$ 45,000	-
Land improvements	200,056	38,986	-	(4,650)	234,392	5-25
Building and building improvements	8,032,451	282,630	-	-	8,315,081	15-40
Building service equipment	821,702	21,373	-	-	843,075	5-20
Major movable equipment	10,262,058	1,306,441	-	(710,273)	10,858,226	3-25
Total	19,361,267	1,649,430	-	(714,923)	20,295,774	
Less accumulated depreciation:						
Land improvements	168,678	15,076	-	(4,650)	179,104	
Building and building improvements	5,034,383	249,741	-	-	5,284,124	
Building service equipment	764,532	13,273	-	-	777,805	
Major movable equipment	7,101,922	1,101,107	-	(709,881)	7,493,148	
Total	13,069,515	1,379,197	-	(714,531)	13,734,181	
Net carrying amount	$ 6,291,752	$ 270,233	$ -	$ (392)	$ 6,561,593	

The cost of capital assets and related depreciable lives for December 31, 2008 are summarized below:

	2007	Additions	Transfers	Retirements	2008	Depreciable Life - Years
Land	$ 45,000	$ -	$ -	$ -	$ 45,000	-
Land improvements	170,007	45,871	-	(15,822)	200,056	5-25
Building and building improvements	7,988,657	43,794	-	-	8,032,451	15-40
Building service equipment	816,302	5,400	-	-	821,702	5-20
Major movable equipment	9,622,280	937,143	-	(297,365)	10,262,058	3-25
Total	18,642,246	1,032,208	-	(313,187)	19,361,267	
Less accumulated depreciation:						
Land improvements	154,157	14,521	-	-	168,678	
Building and building improvements	4,806,264	243,942	-	(15,823)	5,034,383	
Building service equipment	745,869	18,663	-	-	764,532	
Major movable equipment	6,437,459	956,609	-	(292,146)	7,101,922	
Total	12,143,749	1,233,735	-	(307,969)	13,069,515	
Net carrying amount	$ 6,498,497	$ (201,527)	$ -	$ (5,218)	$ 6,291,752	

Note 6 - Estimated Third-party Payor Settlements

Approximately 59 percent of the Organization's revenues from patient services are received from the Medicare, Medicaid, and Medical Mutual of Ohio programs. The Organization has agreements with these payors that provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under these reimbursement programs represent the difference between the Organization's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Effective March 2005, the Organization received full accreditation from the Center for Medicare and Medicaid services for the critical access hospital designation. As a critical access hospital, the Organization will receive reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries.

- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are 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.

- **Medical Mutual of Ohio (MMO)** - The Hospital is reimbursed for inpatient, acute-care services and outpatient services on a percentage-of-charge basis.

The Organization also has entered into payment agreements with certain other commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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.

Note 6 - Estimated Third-party Payor Settlements (Continued)

The Medicare program has initiated a Recovery Audit Contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program is scheduled for Ohio hospitals in 2010. The Organization is unable to determine if it will be audited and, if so, the extent of liability for overpayments, if any. If selected for audit, the potential exists for significant overpayment of claims liability for the Organization at a future date.

Note 7 - Accrued Compensated Absences

Accrued compensated absences activity for the year ended December 31, 2009 was as follows:

	Hospital				
	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Total accrued compensated absences	$ 675,339	$ 993,604	$ (1,001,053)	$ 667,890	$ 667,890

Accrued compensated absences activity for the year ended December 31, 2008 was as follows:

	Hospital				
	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Total accrued compensated absences	$ 646,983	$ 979,025	$ (950,669)	$ 675,339	$ 675,339

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

Note 8 - Accrued Liabilities and Other

The details of accrued liabilities at December 31, 2009 and 2008 are as follows:

	2009	2008
Compensation and related items	$ 399,145	$ 362,545
Pension	133,371	132,553
Insurance premiums and accruals	718,560	700,389
Total accrued liabilities	$ 1,251,076	$ 1,195,487

Note 9 - 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, and survivor benefits, as well as postemployment healthcare coverage to qualifying members of both the TP and the CO plans. Members of the MD plan do not qualify for ancillary benefits, including postemployment healthcare coverage.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible member and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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 614-222-5601 or 1-800-222-PERS (7377).

Funding Policy - The Ohio Revised Code provides statutory authority requiring public employers to fund retirement and postretirement benefits through their contributions to OPERS for member and employer contributions. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement benefits.

For 2009, member and employer contribution rates were consistent across all three plans (TP, MD, and CO) and are actuarially determined. The 2009 and 2008 member contribution rates for members of local government units was 10.00 percent of their annual covered salary. The 2009, 2008, and 2007 employer contribution rates for local government units were 14.00 percent, 14.00 percent, and 13.85 percent, respectively, of covered payroll. The Organization’s contributions to OPERS for the years ended December 31, 2009, 2008, and 2007 were approximately $1,195,000, $1,255,000, and $1,228,000, respectively. Required employer contributions for all plans are equal to 100 percent of employer charges and must be extracted from the employer’s records.

Note 9 – Defined Benefit Pension Plan (Continued)

Postretirement Benefits - In order to qualify for postemployment healthcare coverage, age-and-service retirees under the TP and CO plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB), as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2009, 2008, and 2007, state and local employers contributed at a rate of 14.00 percent, 14.00 percent, and 13.85 percent, respectively, of covered payroll. The portion of employer contributions allocated to health care was 7.00 percent for January 1 through March 31, 2009 and 5.5 percent for April 1 through December 31, 2009 for all employers, 7.00 percent for all of 2008 and 5.00 percent and 6.00 percent was used for January 1 through June 30, 2007 and July 1 through December 31, 2007, respectively. The portion of the employer's contribution used to fund postemployment benefits for 2009, 2008, and 2007 was $897,000, $898,000, and $842,000, respectively.

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

The individual entry age 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 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, not to exceed a 12 percent corridor. The investment assumption rate for 2008 was 6.50 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. In addition, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Healthcare costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 3 percent for the next six years. In subsequent years (seven and beyond), healthcare costs were assumed to increase at 4 percent (the projected wage inflation rate). These assumptions and calculations are based on the system's latest actuarial review performed as of December 31, 2008.

Note 9 - Defined Benefit Pension Plan (Continued)

The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2008 actuarial valuation was 356,388. As of December 31, 2008, the actuarial value of the retirement system's net assets available for OPEB was $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively.

Health Care Preservation Plan - On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 10 - Medical Malpractice Claims

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

The Organization is insured against medical malpractice claims under a claims-made based policy, whereby claims are covered if the Organization was insured during the year that the claim was filed. Under the terms of the policy, the Organization 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 Organization has an umbrella policy with an additional $7,000,000 of coverage.

There is no pending litigation against the Organization, nor is management aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as current expense. There have been no claims settled in the last five years that have exceeded insured limits.

The Organization is exposed to various risks of loss related to property and general losses, as well as medical benefits provided to employees. The Organization has purchased commercial insurance coverage of these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

Additional Information

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Governors
Wyandot Memorial Hospital

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Wyandot Memorial Hospital (the "Organization") as of and for the year December 31, 2009 and have issued our report thereon dated May 12, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wyandot Memorial Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wyandot Memorial Hospital's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

To the Board of Governors
Wyandot Memorial Hospital

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wyandot Memorial Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wyandot Memorial Hospital in a separate letter dated May 12, 2010.

The report is intended solely for the information and use of the auditor of the State of Ohio, the board of governors of Wyandot Memorial Hospital, 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

May 12, 2010

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May 12, 2010

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, OH

Dear Board Members:

We have completed our audit of the financial statements of Wyandot Memorial Hospital as of and for the years ended December 31, 2009 and 2008. This report includes communications required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for Wyandot Memorial Hospital and Affiliate. Specifically, auditing standards require us to:

- Express an opinion on the fiscal year end consolidated financial statements of Wyandot Memorial Hospital and Affiliate.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process

This report also presents an overview of areas of audit emphasis, as well as our perspectives on the healthcare environment.

This communication is intended solely for the information and use of management, the board of governors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Jordan F. Pace, CPA
Partner

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Comments and Recommendations

May 12, 2010

To the Board of Governors
Wyandot Memorial Hospital
Upper Sandusky, OH

Dear Board Members:

We have completed our audit of the financial statements of Wyandot Memorial Hospital and Affiliate as of and for the years ended December 31, 2009 and 2008. During our audit, we were observant for opportunities to provide helpful recommendations; those recommendations are presented as in the following exhibits:

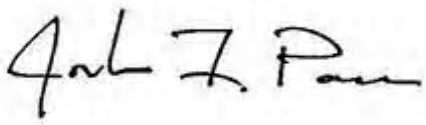
Exhibit	Topic
A	Ohio Compliance Supplement

If you would like any additional information regarding these matters, we would be pleased to provide any requested information.

This communication is intended solely for the information and use of management, the board of governors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Jordan F. Pace, CPA
Partner

Exhibit A
Ohio Compliance Supplement

Observation	Recommendation
While performing certain procedures relating to the Ohio Compliance requirements, we noted: The Hospital has not updated certain policies to reflect the rules and regulations of the Ohio Compliance Supplement.	We recommend the Hospital review the state auditor's website and update their policies to ensure they are in compliance with the requirements of the Ohio Compliance Supplement.

Required Communication with Those Charged With Governance

Statement on Auditing Standards No. 114 and other professional standards require the auditor to communicate certain matters to the board that may assist the board of governors/audit committee in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the board of directors/audit committee and management of Wyandot Memorial Hospital and Affiliate and is not intended to be and should not be used by anyone other than these specified parties. Below we summarize these required communications as they apply to Wyandot Memorial Hospital and Affiliate.

Area	Comments
Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)	
As stated in our engagement letter dated December 5, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Hospital. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities. *continued*	We have issued an unqualified opinion on the financial statements of Wyandot Memorial Hospital and Affiliate for the year ended December 31, 2009.

Area	Comments
Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS) (continued)	
Our audit of the Hospital's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Hospital's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated May 12, 2010 regarding our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the Hospital, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required. HIPAA and corporate compliance testing are beyond the scope of a financial statement audit.	
Planned Scope and Timing of the Audit	
We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated December 12, 2009.	No significant changes to our audit plan were noted.

Area	Comments
Significant Audit Findings - Qualitative Aspects of Accounting Practices	
Selection and Use of Accounting Policies Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	There were no changes in accounting policies or practices for the Hospital during the current year. The significant accounting policies used by the Hospital are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Hospital during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.
Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.	The most sensitive estimates affecting the financial statements were allowances for uncollectible accounts receivable, contractual allowances, third-party settlements, and reserves on professional liability claims. We have provided additional information in the section titled "Areas of Audit Emphasis" on these estimates.
Significant Audit Findings – Other Matters	
Difficulties Encountered in Performing the Audit We encountered no significant difficulties in dealing with management in performing and completing our audit.	None noted.

Area	Comments
Significant Audit Findings – Other Matters	
Corrected and Uncorrected Misstatements Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	None noted.
Disagreements with Management For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.	We are pleased to report that no such disagreements arose during the course of our audit.
Management's Representations We have requested certain representations from management that are included in the management representation letter dated May 12, 2010.	
Management's Consultations with Other Independent Accountants In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hospital's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
Other Audit Findings or Issues In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and business plans and strategies that may affect the risks of material misstatement.	None of the matters discussed resulted in a condition of our retention as the Hospital's auditors.

Areas of Audit Emphasis

Key areas of audit emphasis and our judgments about the quality, not just the acceptability, of the Wyandot Memorial Hospital's accounting principles as applied in its financial reporting are summarized in the table below:

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Net Realizable Value of Patient Accounts Receivable	The Hospital maintains accounting policies and procedures specifically related to these accounts adjusting amounts to reflect estimated amounts recoverable from patients and third-party payors based on paid claims experience.	Required allowances, reflecting the difference between standard rates and reimbursement, are based on aging and historical payment experience while considering current trends. Balance sheet valuation allowances are established for potential payment disallowances.	Management followed a consistent methodology with the prior year related to the establishment of allowances for doubtful accounts and contractual adjustments. Management performed a hindsight review to assess the adequacy of prior year's doubtful accounts and contractual allowance estimates. Management continues to consider the results of the hindsight review along with current environmental factors, aging and payor classification, and continues to adjust its estimates based on these items. We believe the underlying methodologies used by management are reasonable.

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Estimated Settlements with Third-party Payors	The Hospital establishes current year estimates of cost reports to be filed based on current year data and prior year cost report relationships. Estimates of prior year settlements are updated as additional information (including filed cost reports and interim settlements) become available.	These accounts represent amounts due from/to Medicare, Medicaid, and other payors for the settlement of outstanding cost reports and amounts due to other payors for contract issues. Laws and regulations are complex and these estimates may change by a material amount in the near term. Changes to these amounts will be reflected in the statement of operations in the year of the change.	Changes in estimates related to third-party reserves (reserves for Medicare, Medicaid, and Blue Cross) did not have a significant impact on 2009 and 2008 operations. We believe that the underlying methodology used by the Hospital is reasonable.

Area	Accounting Policy	Judgments and Sensitive Estimates	Comments on Quality of Accounting Policy and/or Application
Reserve for Professional Liability Claims	The Hospital is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual costs of any individual claims exceeding $1,000,000, or aggregate claims exceeding $3,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional $7,000,000 of coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured. The Hospital has established an accrual for such event(s) based on guidance provided in Emerging Issues Task Force Issue 03-08, *Accounting for Claims-Made Insurance and Retroactive Insurance Contracts by the Insured Entity.*	The Hospital has noted that it is not aware of any professional liability claims, either asserted or unasserted, that would exceed the policy limit or that would require additional accruals based on current activity. Management has based the recording of estimates of an accrual related to the possibility that the Hospital would not obtain similar coverage in the future, and the related cost to be accrued in the current period, on review of historical claim payments, and current industry trends.	Management has accrued its best estimate of these potential losses to the extent they exceed the limits of insurance coverage. The loss reserve accrual also includes management's estimates for claims and related legal expenses from unreported incidents arising from services provided to patients in the event the Hospital may be unable to obtain insurance coverage at a future date. We believe the underlying assumptions used by management and the resultant amounts are reasonable.

Mary Taylor, CPA
Auditor of State

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 10, 2010

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