

# **Wyandot Memorial Hospital**

Accountants' Report and Financial Statements

December 31, 2011 and 2010





# Dave Yost • Auditor of State

Board of Governors  
Wyandot Memorial Hospital  
885 North Sandusky Avenue  
Upper Sandusky, Ohio 43351

We have reviewed the *Independent Accountants' Report on Financial Statements* of the Wyandot Memorial Hospital, Wyandot County, prepared by BKD, LLP, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wyandot Memorial Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 6, 2012

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# Wyandot Memorial Hospital

December 31, 2011 and 2010

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## Independent Accountants' Report on Financial Statements

Board of Governors  
Wyandot Memorial Hospital  
Upper Sandusky, Ohio

We have audited the accompanying balance sheets of Wyandot Memorial Hospital (Hospital) and its discretely presented component unit, as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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. The financial statements of Wyandot Health Foundation, Inc., a component unit included in the financial statements, were not audited in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital and its discretely presented component unit as of December 31, 2011 and 2010, and the results of its operations, the changes in its financial position 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 our report dated May 17, 2012, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*BKD, LLP*

May 17, 2012

# Wyandot Memorial Hospital

## Management's Discussion and Analysis

### Years Ended December 31, 2011 and 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, 2011, 2010, and 2009. 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 continued to improved during the year ended December 31, 2011. Although current assets decreased \$4,123,484, or 15.25 percent, capital assets increased by \$8,771,492, or 79.85 percent, from the prior year. The change is due to a decrease in cash, and the Hospital's building program that was started in October 2010. In total, the Hospital's net assets increased by \$1,589,409, or 3.67 percent, from the previous year. The increase in net assets for 2010 was 4.80 percent, and for 2009 the increase was 8.00 percent. The increased net assets were primarily caused by an increase in patient revenue due to charge increases, growth in some ancillary service volumes, expense control and the Hospital's building program. The following chart provides a breakdown of the Hospital's net assets by category for the years ended December 31, 2011, 2010 and 2009:

	<b>Year Ended December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	\$19,756,795	\$10,985,303	\$6,561,593
Restricted	1,847,633	2,328,025	2,281,017
Unrestricted	23,291,458	29,993,149	32,480,547

In the year ended December 31, 2011, the Hospital's revenue and other support exceeded expenses, creating an increase in net assets of \$1,589,409. The increase for 2010 and 2009 was \$1,913,320 and \$3,065,220, respectively.

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

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Hospital as a whole and on its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that



# Wyandot Memorial Hospital

## Management's Discussion and Analysis

### Years Ended December 31, 2011 and 2010

all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

**Table 1: Assets, Liabilities and Net Assets**

	Year Ended December 31			2011/2010 Change	
	2011	2010	2009	Amount	Percent
<b>Assets</b>					
Current assets	\$ 22,910,973	\$ 27,034,457	\$ 29,072,730	\$ (4,123,484)	-15.25%
Assets limited as to use	1,847,633	2,328,025	2,281,017	(480,392)	-20.64%
General long-term investments	7,299,276	9,454,874	7,204,995	(2,155,598)	-22.80%
Capital assets	19,756,795	10,985,303	6,561,593	8,771,492	79.85%
Total assets	<u>\$ 51,814,677</u>	<u>\$ 49,802,659</u>	<u>\$ 45,120,335</u>	<u>\$ 2,012,018</u>	4.04%
<b>Liabilities -</b>					
Current Liabilities	\$ 6,918,791	\$ 6,496,182	\$ 3,797,178	\$ 422,609	6.51%
<b>Net Assets</b>					
Invested in capital assets, net of related debt	19,756,795	10,985,303	6,561,593	8,771,492	79.85%
Restricted	1,847,633	2,328,025	2,281,017	(480,392)	-20.64%
Unrestricted	23,291,458	29,993,149	32,480,547	(6,701,691)	-22.34%
Total net assets	<u>44,895,886</u>	<u>43,306,477</u>	<u>41,323,157</u>	<u>1,589,409</u>	3.67%
Total liabilities and net assets	<u>\$ 51,814,677</u>	<u>\$ 49,802,659</u>	<u>\$ 45,120,335</u>	<u>\$ 2,012,018</u>	4.04%

# Wyandot Memorial Hospital

## Management's Discussion and Analysis

### Years Ended December 31, 2011 and 2010

The primary change in the Hospital's balance sheet relates to the increase in capital assets. Operating results were favorable and contributed to the 3.67 percent change in net assets for 2011 compared to a 4.80 percent change for 2010 and a change of 8.00 percent for 2009.

**Table 2: Operating Results and Changes in Net Assets**

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 year ended December 31, 2011, 2010 and 2009.

	Year Ended December 31			2011/2010 Change	
	2011	2010	2009	Amount	Percent
<b>Operating Revenue</b>					
Net patient service revenue	\$ 25,173,323	\$ 24,547,556	\$ 24,617,671	\$ 625,767	2.55%
Other operating revenue	636,260	555,972	508,954	80,288	14.44%
Total operating revenue	<u>25,809,583</u>	<u>25,103,528</u>	<u>25,126,625</u>	<u>706,055</u>	2.81%
<b>Operating Expenses</b>					
Salaries and wages	9,492,508	8,836,743	8,832,541	655,765	7.42%
Employee benefits and payroll taxes	3,021,689	2,753,045	2,644,243	268,644	9.76%
Operating supplies and expenses	4,722,055	4,885,707	4,698,209	(163,652)	-3.35%
Purchased services	5,511,268	5,538,613	5,296,637	(27,345)	-0.49%
Insurance	395,103	411,443	303,843	(16,340)	-3.97%
Depreciation and amortization	1,641,396	1,348,103	1,379,197	293,293	21.76%
Total operating expenses	<u>24,784,019</u>	<u>23,773,654</u>	<u>23,154,670</u>	<u>1,010,365</u>	4.25%
<b>Operating Income</b>	<u>1,025,564</u>	<u>1,329,874</u>	<u>1,971,955</u>	<u>(304,310)</u>	-22.88%
<b>Nonoperating Revenue</b>					
Interest income	337,185	550,797	981,339	(213,612)	-38.78%
Contributions and other income	226,660	102,649	111,926	124,011	120.81%
Total nonoperating revenue	<u>563,845</u>	<u>653,446</u>	<u>1,093,265</u>	<u>(89,601)</u>	-13.71%
<b>Increase in Net Assets</b>	1,589,409	1,983,320	3,065,220	(393,911)	-19.86%
<b>Net Assets, Beginning of Year</b>	<u>43,306,477</u>	<u>41,323,157</u>	<u>38,257,937</u>	<u>1,983,320</u>	4.80%
<b>Net Assets, End of Year</b>	<u>\$ 44,895,886</u>	<u>\$ 43,306,477</u>	<u>\$ 41,323,157</u>	<u>\$ 1,589,409</u>	3.67%

# Wyandot Memorial Hospital

## Management's Discussion and Analysis

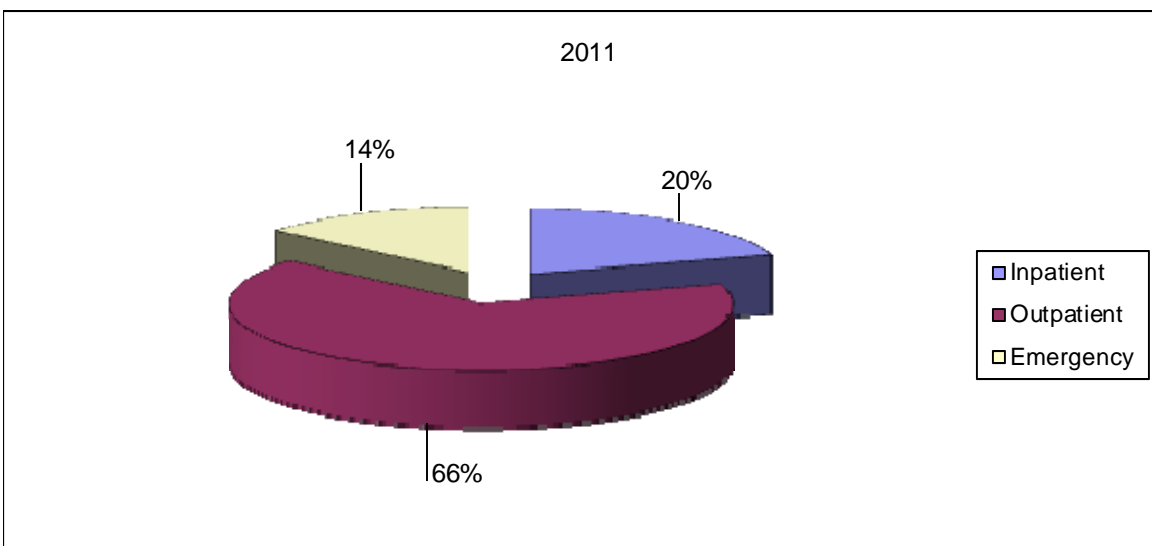
### Years Ended December 31, 2011 and 2010

#### Operating Income

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:

- 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 2011 are 53.4 percent as a percentage of gross revenue and they were 53.0 percent for 2010 and 51.3 percent for 2009. The change in revenue deductions is due in part to increases of managed care participation (Medicare and Medicaid) and charity care. Net patient service revenue increased 2.55 percent. This was attributable in part to an increase in charges and an increase in volumes for certain outpatient ancillary services.
- Other operating revenue increased 14.44 percent for 2011 which was due in part to an increase in Jobcare and other non patient services. In 2010, other operating revenue increased 9.24 percent and in 2009 it decreased 4.60 percent.
- The following is a graphic illustration of operating revenues by source:



# Wyandot Memorial Hospital

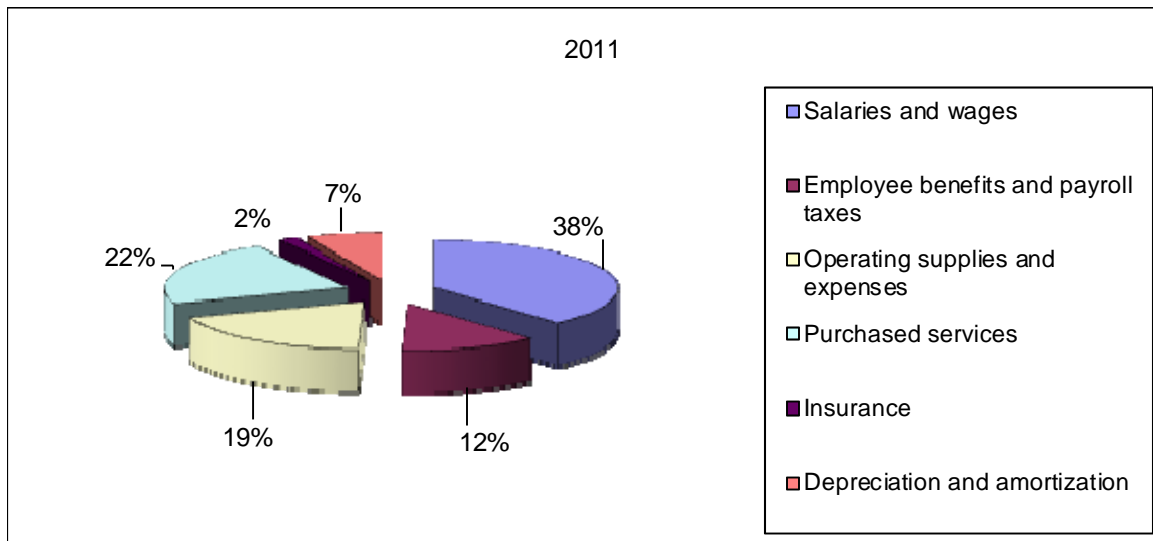
## Management's Discussion and Analysis

### Years Ended December 31, 2011 and 2010

#### Operating Expenses

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

- Salary costs increased 7.42 percent, due in part to additional staffing, including new physician practices and annual salary adjustments. Salary costs increased .05 percent for 2010 and decreased 1.6 percent for 2009.
- Benefit costs increased 9.76 percent, due primarily to increases in employees and health insurance premiums paid by the Hospital for covered employees. Benefits increased 4.11 percent in 2010 and decreased 5.10 percent in 2009.
- Supplies decreased 3.35 percent, due in part to decreased patient supplies for surgery, increase in purchase discounts and offset by increases in other ancillary departments. In 2010, supplies increased 3.99 percent and in 2009 they increased 24.30 percent.
- Insurance costs decreased 3.97 percent, due in part to good claims experience. Insurance costs increased 35.41 percent for 2010. The decrease for 2009 was 4.00 percent, which was the fifth year of a change from an occurrence to a claims-made policy for malpractice insurance.
- Purchased services decreased .49 percent, due in part to the purchase of an MRI unit that replaced a mobile service. There was an increase of 4.57 percent for 2010 and a 10.9 percent increase for 2009.
- The following is a graphic illustration of operating expenses by type:



**Wyandot Memorial Hospital**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2011 and 2010**

***Nonoperating Revenue and Expenses***

Nonoperating revenues 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 grants and a decrease in interest income due to declining interest rates.

***The Hospital's 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

	<b>Year Ended December 31</b>			<b>2011/2010 Increase (Decrease)</b>
	<b>2011</b>	<b>2010</b>	<b>2009</b>	
<b>Cash Provided by (Used in)</b>				
Operating activities	\$ 3,325,542	\$ 3,359,282	\$ 2,337,743	\$ (33,740)
Capital and noncapital related financing activities	(11,023,306)	(3,537,267)	(1,537,503)	(7,486,039)
Investing activities	1,567,411	1,467,414	7,224,128	99,997
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6,130,353)</b>	<b>1,289,429</b>	<b>8,024,368</b>	<b>(7,419,782)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>15,317,062</b>	<b>14,027,633</b>	<b>6,003,265</b>	<b>1,289,429</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 9,186,709</b>	<b>\$ 15,317,062</b>	<b>\$ 14,027,633</b>	<b>\$ (6,130,353)</b>

# Wyandot Memorial Hospital

## Management's Discussion and Analysis

### Years Ended December 31, 2011 and 2010

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 \$33,740 over the prior year. This is a result of payments from patient accounts and other operating receipts offset by payments to suppliers, building contractors and employees. Cash from operating activities increased \$1,021,539 in 2010 and decreased \$1,590,591 in 2009.

Capital purchases, net of grants and contributions were \$11,023,306. Net capital purchases for 2010 were \$3,537,267 and for 2009 they were \$1,537,503.

Investing activities provided cash of \$1,567,411 and were up from 2010 activities which were \$1,467,414.

#### Capital Assets

In October 2010, the Hospital began an extensive building program that will expand the Emergency Department and improve access to outpatient services. The building program continued through 2011 and is expected to be completed in the spring of 2012. In addition, the Hospital purchased and installed equipment and services related to the expansion.

At December 31, 2011, the Hospital had \$35,303,610 invested in capital assets, which was netted against accumulated depreciation of \$15,546,815. Capital assets for 2010 and 2009 were \$25,667,416 and \$20,295,774, respectively. Depreciation and amortization totaled \$1,641,396 for the current year compared to \$1,348,103 last year and \$1,379,197 for 2009. Details of these assets for the past three years are shown below:

	Year Ended December 31			2011/2010
	2011	2010	2009	Increase (Decrease)
Land	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Land improvements	277,104	234,392	234,392	42,712
Buildings and improvements	8,832,647	9,352,112	9,158,156	(519,465)
Major movable equipment	13,668,677	12,518,317	10,858,226	1,150,360
Construction in progress	12,480,182	3,527,595	-	8,952,587
<b>Total</b>	<b>\$ 35,303,610</b>	<b>\$ 25,677,416</b>	<b>\$ 20,295,774</b>	<b>\$ 9,626,194</b>

#### Debt

For the years ended December 31, 2011, 2010 and 2009, 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. It is anticipated that the Hospital will complete the

# **Wyandot Memorial Hospital**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2011 and 2010**

current building program without securing any new debt obligations. The program will be funded through operations, endowments and community support.

#### ***Other Economic Factors***

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 May 2011, oncology coverage increased with an additional part-time oncologist. In August, a primary care physician was recruited to replace a physician that retired in November. In September, a physician was recruited to open an OB/GYN practice and an orthopedic physician established a part-time practice in November. Recruitment of additional physicians is expected to continue in the future, including additional primary care physicians and specialist to meet the medical needs of the community. Much of the Hospital reimbursement is limited by federal and state mandates. Effective March 2005, the Hospital obtained critical access status from the Medicare program. The Hospital 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 Financial 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 Sheets December 31, 2011 and 2010

	December 31, 2011		December 31, 2010	
	Hospital	Component	Hospital	Component
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 8,678,330	\$ 957,556	\$ 14,524,114	\$ 595,269
Short-term investments	9,876,655	1,022,700	8,755,460	1,337,528
Patient accounts receivable, net of allowance; 2011 - \$1,600,000, 2010 - \$1,200,000	3,148,813	-	2,465,725	-
Inventory	571,602	-	513,161	-
Prepaid expenses and other	635,573	-	775,997	-
Total current assets	<u>22,910,973</u>	<u>1,980,256</u>	<u>27,034,457</u>	<u>1,932,797</u>
<b>Noncurrent Cash and Investments</b>				
Assets limited as to use	1,847,633	-	2,328,025	-
Long-term investments	7,299,276	121,670	9,454,874	479,971
Total noncurrent cash and investments	<u>9,146,909</u>	<u>121,670</u>	<u>11,782,899</u>	<u>479,971</u>
<b>Capital Assets, Net</b>	<u>19,756,795</u>	<u>-</u>	<u>10,985,303</u>	<u>-</u>
Total assets	<u>\$ 51,814,677</u>	<u>\$ 2,101,926</u>	<u>\$ 49,802,659</u>	<u>\$ 2,412,768</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 2,524,491	\$ -	\$ 2,602,985	\$ -
Accrued compensated absences	802,100	-	726,947	-
Accrued expenses and other	1,293,851	-	1,257,145	-
Estimated amounts due to third-party payers	2,298,349	-	1,909,105	-
Total current liabilities	<u>6,918,791</u>	<u>-</u>	<u>6,496,182</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	19,756,795	-	10,985,303	-
Restricted				
Nonexpendable permanent endowments	15,000	-	15,000	-
Expendable for capital acquisitions	1,832,633	757,415	2,313,025	1,125,010
Unrestricted	23,291,458	1,344,511	29,993,149	1,287,758
Total net assets	<u>44,895,886</u>	<u>2,101,926</u>	<u>43,306,477</u>	<u>2,412,768</u>
Total liabilities and net assets	<u>\$ 51,814,677</u>	<u>\$ 2,101,926</u>	<u>\$ 49,802,659</u>	<u>\$ 2,412,768</u>



**Wyandot Memorial Hospital**  
**Statements of Revenue, Expenses and Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	<b>December 31, 2011</b>		<b>December 31, 2010</b>	
	<b>Hospital</b>	<b>Component</b>	<b>Hospital</b>	<b>Component</b>
<b>Operating Revenue</b>				
Net patient service revenue, net of provision for uncollectible accounts; 2011 - \$1,733,583 and 2010 - \$1,565,530	\$ 25,173,323	\$ -	\$ 24,547,556	\$ -
Other	636,260	-	555,972	-
Total operating revenue	<u>25,809,583</u>	<u>-</u>	<u>25,103,528</u>	<u>-</u>
<b>Operating Expenses</b>				
Salaries and wages	9,492,508	-	8,836,743	-
Employee benefits	3,021,689	-	2,753,045	-
Purchased services and professional fees	5,511,268	-	5,538,613	-
Supplies and other	4,722,055	31,939	4,885,707	31,965
Insurance	395,103	-	411,443	-
Depreciation and amortization	1,641,396	-	1,348,103	-
Total operating expenses	<u>24,784,019</u>	<u>31,939</u>	<u>23,773,654</u>	<u>31,965</u>
<b>Operating Income (Loss)</b>	<u>1,025,564</u>	<u>(31,939)</u>	<u>1,329,874</u>	<u>(31,965)</u>
<b>Nonoperating Revenue</b>				
Interest income	337,185	37,629	550,797	82,293
Noncapital grants and gifts	226,660	(316,532)	102,649	47,871
Total nonoperating revenue (expenses)	<u>563,845</u>	<u>(278,903)</u>	<u>653,446</u>	<u>130,164</u>
<b>Increase (Decrease) in Net Assets</b>	1,589,409	(310,842)	1,983,320	98,199
<b>Net Assets, Beginning of Year</b>	<u>43,306,477</u>	<u>2,412,768</u>	<u>41,323,157</u>	<u>2,314,569</u>
<b>Net Assets, End of Year</b>	<u>\$ 44,895,886</u>	<u>\$ 2,101,926</u>	<u>\$ 43,306,477</u>	<u>\$ 2,412,768</u>

# Wyandot Memorial Hospital

## Statements of Cash Flows

### Years Ended December 31, 2011 and 2010

	December 31, 2011		December 31, 2010	
	Hospital	Component	Hospital	Component
<b>Operating Activities</b>				
Receipts from and on behalf of patients	\$ 24,879,479	\$ -	\$ 25,335,494	\$ -
Payments to suppliers and contractors	(10,201,850)	(31,939)	(10,906,062)	(31,965)
Payments to employees	(12,402,338)	-	(11,524,662)	-
Other receipts, net	1,050,251	-	454,512	-
Net cash provided by (used in) operating activities	3,325,542	(31,939)	3,359,282	(31,965)
<b>Noncapital Financing Activities</b>				
Noncapital grants and gifts	226,660	(316,532)	102,649	47,871
<b>Capital and Related Financing Activities</b>				
Purchase of capital assets	(11,249,966)	-	(3,639,916)	-
<b>Investing Activities</b>				
Net change assets limited as to use and investments	1,230,226	673,129	916,617	(169,895)
Income on investments	337,185	37,629	550,797	82,293
Net cash provided by (used in) investing activities	1,567,411	710,758	1,467,414	(87,602)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(6,130,353)	362,287	1,289,429	(71,696)
<b>Cash and Cash Equivalents, Beginning of Year</b>	15,317,062	595,269	14,027,633	666,965
<b>Cash and Cash Equivalents, End of Year</b>	\$ 9,186,709	\$ 957,556	\$ 15,317,062	\$ 595,269
<b>Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ 1,025,564	\$ (31,939)	\$ 1,329,874	\$ (31,965)
Depreciation and amortization	1,641,396	-	1,348,103	-
Provision for uncollectible accounts	1,733,583	-	1,565,530	-
Loss on disposal of capital assets	332,008	-	2,244	-
Changes in operating assets and liabilities				
Patient accounts receivable	(2,416,671)	-	(1,347,628)	-
Inventory	(58,441)	-	(69,557)	-
Prepaid expenses and other	140,424	-	(34,147)	-
Accounts payable	426,576	-	(70,299)	-
Accrued compensated expenses and other	111,859	-	65,126	-
Estimated amounts due to third-party payers	389,244	-	570,036	-
Net cash provided by (used in) operating activities	\$ 3,325,542	\$ (31,939)	\$ 3,359,282	\$ (31,965)
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>				
Cash and cash equivalents in current assets	\$ 8,678,330	\$ 957,556	\$ 14,524,114	\$ 595,269
Cash and cash equivalents in investments and assets limited as to use	508,379	-	792,948	-
Total cash and cash equivalents	\$ 9,186,709	\$ 957,556	\$ 15,317,062	\$ 595,269
<b>Supplemental Cash Flow Information</b>				
Capital assets included in accounts payable	\$ 1,629,071	-	\$ 2,134,141	\$ -

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations and Reporting Entity*

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

Wyandot Memorial Hospital (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 was formed under the provisions of the Ohio Revised Code.

Wyandot Health Foundation, Inc. (Foundation), as the discreetly 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 not a part of the primary government of the Hospital but, due to its relationship with the Hospital, it is discreetly presented as a component unit within the Hospital's financial statements.

#### *Basis of Accounting and Presentation*

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets, if applicable, when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

#### *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

# Wyandot Memorial Hospital

## Notes to Financial Statements

### December 31, 2011 and 2010

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.

#### ***Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

#### ***Investments, Investment Income and Assets Limited as to Use***

Investments consist of certificates of deposit, money market accounts and commercial and governmental bonds, which are stated at market value. Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Assets limited as to use include (1) assets held by trustees, (2) assets restricted by donors and (3) assets set aside by the Board of Governors for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes.

#### ***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

#### ***Inventory***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

#### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5-25 years
Buildings and building improvements	15-40 years
Building service equipment	5-20 years
Major movable equipment	3-25 years

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### ***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 Hospital-determined rate for all employees. Employees may earn up to 64 hours of holiday time per year and may accumulate up to 128 hours of such time. Employees may earn up to 80 hours of sick time per year. Employees may sell a portion of their sick leave balance back to the Hospital provided their minimum balance is at least 240 hours after the transaction. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-quarter of the accumulated balance calculated at the employee's base pay rate as of the retirement date. Salaried employees also earn compensatory time for any hours worked in excess of eight hours in one day, or 80 hours in one pay period, at the rate of time and one-half. Compensatory time may be accumulated up to a maximum of 80 hours.

### ***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 outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organization, such as permanent endowments. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care provided in 2011 and 2010 measured at estimated cost, approximated \$440,119 and \$382,752, respectively. Estimated costs is derived by using the Medicaid cost to charge ratio. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

### ***Income Taxes***

As an instrumentality of a political subdivision of the state of Ohio, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt under Section 501(c) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### ***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### ***Subsequent Events***

Subsequent events have been evaluated through the date of Independent Accountants' Report, which is the date the financial statements were issued.

### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. These payment arrangements include:

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

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Hospital is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Approximately 40% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both the years ended December 31, 2011 and 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### Note 2: Deposits, Investments and Investment Income

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 Hospital 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 Hospital. 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 Hospital 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.

**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

# Wyandot Memorial Hospital

## Notes to Financial Statements

### December 31, 2011 and 2010

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 Hospital'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 Hospital and must be purchased with the expectation that it will be held to maturity.

The Hospital'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, 2011 and 2010, all of the Organization's bank deposits (certificates of deposit, checking, and savings accounts), which were approximately \$18,600,000 and \$25,638,000, respectively, were uninsured and collateralized by various securities; the component unit had approximately \$84,000 and \$69,000 at December 31, 2011 and 2010, 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. However, since all of the Organization's bank deposits are collateralized, the Organization believes it has maintained an acceptable risk level at these institutions.



# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### 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, 2011 and 2010, 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
Decemer 31, 2011		
U.S. Government agency bonds	\$ 2,180	Counterparty
December 31, 2010		
U.S. Government agency bonds	\$ 52,297	Counterparty

### 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 the end of the year, the average maturities of investments at the component unit are as follows:

Investment	Fair Value	Weighted Average Maturity
December 31, 2011		
U.S. Government agency bonds	\$ 2,180	20.14 years
December 31, 2010		
U.S. Government agency bonds	\$ 52,297	12.49 years

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### 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, 2011			
U.S. Government agency bonds	\$ 2,180	AAA	Standard & Poor's
December 31, 2010			
U.S. Government agency bonds	\$ 52,297	AAA	Standard & Poor's

### Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at December 31 as follows:

	2011	2010
Carrying value		
Cash and cash equivalents	\$ 508,379	\$ 792,948
Certificates of deposit	19,657,375	21,510,613
U.S. Government agency bonds	2,180	52,297
	<u>\$ 20,167,934</u>	<u>\$ 22,355,858</u>
Included in the following balance sheet captions		
Hospital		
Short-term investments	\$ 9,876,655	\$ 8,755,460
Assets limited as to use	1,847,633	2,328,025
Long-term investments	7,299,276	9,454,874
Component Unit		
Short-term investments	1,022,700	1,337,528
Long-term investments	121,670	479,971
	<u>\$ 20,167,934</u>	<u>\$ 22,355,858</u>

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### Investment Income

Investment income for the years ended December 31 consisted of:

	<b>2011</b>	<b>2010</b>
Hospital interest and dividend income	\$ 337,185	\$ 550,797
Component unit interest and dividend income	37,629	82,293
Interest income	<u>\$ 374,814</u>	<u>\$ 633,090</u>

### Note 3: Patient Accounts Receivable

Patient accounts receivable at December 31 consisted of:

	<b>2011</b>	<b>2010</b>
Patient accounts receivable	\$ 10,434,486	\$ 7,201,790
Less		
Allowance for uncollectible amounts	1,600,000	1,200,000
Allowance for contractual adjustments	<u>5,685,673</u>	<u>3,536,065</u>
Patient accounts receivable, net	<u>\$ 3,148,813</u>	<u>\$ 2,465,725</u>

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

	<b>Percent</b>	
	<b>2011</b>	<b>2010</b>
Medicare	32%	28%
Medicaid	8%	9%
Commercial insurance and HMOs	38%	39%
Self-pay	<u>22%</u>	<u>24%</u>
	<u>100%</u>	<u>100%</u>

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	<b>2011</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Land improvements	234,392	42,712	-	277,104
Building and building improvements	8,478,172	-	(477,420)	8,000,752
Building service equipment	873,940	-	(42,045)	831,895
Major moveable equipment	12,518,317	1,749,597	(599,237)	13,668,677
Construction in progress	3,527,595	8,952,587	-	12,480,182
	<u>25,677,416</u>	<u>10,744,896</u>	<u>(1,118,702)</u>	<u>35,303,610</u>
Less accumulated depreciation				
Land improvements	191,402	8,788	-	200,190
Building and building improvements	5,521,168	247,366	(141,954)	5,626,580
Building service equipment	792,901	15,994	(47,051)	761,844
Major moveable equipment	8,186,642	1,369,248	(597,689)	8,958,201
	<u>14,692,113</u>	<u>1,641,396</u>	<u>(786,694)</u>	<u>15,546,815</u>
Capital Assets, Net	<u>\$ 10,985,303</u>	<u>\$ 9,103,500</u>	<u>\$ (332,008)</u>	<u>\$ 19,756,795</u>

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

	2010			Ending Balance
	Beginning Balance	Additions	Disposals	
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Land improvements	234,392	-	-	234,392
Building and building improvements	8,320,481	157,926	(235)	8,478,172
Building service equipment	837,675	36,265	-	873,940
Major moveable equipment	10,858,226	2,052,271	(392,180)	12,518,317
Construction in progress	-	3,527,595	-	3,527,595
	<u>20,295,774</u>	<u>5,774,057</u>	<u>(392,415)</u>	<u>25,677,416</u>
Less accumulated depreciation				
Land improvements	179,104	12,298	-	191,402
Building and building improvements	5,284,124	237,254	(210)	5,521,168
Building service equipment	777,805	15,096	-	792,901
Major moveable equipment	7,493,148	1,083,455	(389,961)	8,186,642
	<u>13,734,181</u>	<u>1,348,103</u>	<u>(390,171)</u>	<u>14,692,113</u>
Capital Assets, Net	<u>\$ 6,561,593</u>	<u>\$ 4,425,954</u>	<u>\$ (2,244)</u>	<u>\$ 10,985,303</u>

### Note 5: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

### Note 6: Accrued Liabilities and Other

Accrued expenses included in current liabilities at December 31 consisted of:

	<b>2011</b>	<b>2010</b>
Compensation and related items	\$ 501,709	\$ 400,437
Pension	78,078	146,076
Insurance premiums and accruals	714,064	710,632
	<u>\$ 1,293,851</u>	<u>\$ 1,257,145</u>

### Note 7: Defined Benefit Pension Plan

**Pension Benefits** – All full-time employees are required to join the Ohio Public Employees Retirement System (OPERS). OPERS administers three pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit plan.
2. The Member-Directed (MD) Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing, multi-employer defined benefit plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Members of the MD Plan do not qualify for ancillary benefits, including post-employment healthcare coverage. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report, copies of which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642; or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, 2010 and, 2009, member and employer contribution rates were consistent across all three plans. Contribution rates for calendar years 2011, 2010 and 2009 were 10% for the employee share and 14% for the employer share, respectively. Employer contributions required were approximately \$1,290,000, \$1,216,000 and \$1,195,000, respectively, for 2011, 2010 and 2009 which equaled 100% of the required contributions for each year.

# Wyandot Memorial Hospital

## Notes to Financial Statements

December 31, 2011 and 2010

**Post-employment Benefits** – OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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 employers to fund post-retirement health care through their contributions to OPERS. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 2010 and 2009, local employer units contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with Internal Revenue Code Section 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to for members in the Traditional Plan was 4% during 2011 and 6.05% for members in the Combined Plan. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries.

Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the employer contributions that was made to fund post-employment benefits for 2011, 2010 and 2009 was approximately \$369,000, \$441,000 and \$502,000, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

### **Note 8: Risks & Uncertainties**

#### **Construction**

The Hospital has entered into a construction contract for building renovations and additions. The outstanding amount not yet completed on this contract at December 31, 2011 was \$1,681,474.

# Wyandot Memorial Hospital

## Notes to Financial Statements

### December 31, 2011 and 2010

#### ***Current Economic Conditions***

The current protracted economic decline continues to present hospitals and foundations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Organization's liquidity.



## **Supplementary Information**

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

Board of Governors  
Wyandot Memorial Hospital  
Upper Sandusky, Ohio

We have audited the basic financial statements of Wyandot Memorial Hospital (Hospital) and its discretely presented component unit, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 17, 2012. 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. The financial statements of Wyandot Health Foundation, Inc., a component unit included in the financial statements, were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 the Hospital's management in a separate letter dated May 17, 2012.

This report is intended solely for the information and use of the Board of Governors, management and others within the Hospital and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

May 17, 2012



# Dave Yost • 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  
SEPTEMBER 20, 2012