

**PAULDING COUNTY HOSPITAL**

**Financial Statements**

**December 31, 2000 and 1999**

**with**

**Independent Auditors' Report**

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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Paulding County Hospital  
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We have reviewed the Independent Auditor's Report of the Paulding County Hospital, Paulding County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

May 18, 2001

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**PAULDING COUNTY HOSPITAL  
PAULDING, OHIO**

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Trustees  
Paulding County Hospital  
Paulding, Ohio

We have audited the accompanying balance sheets of Paulding County Hospital (a component unit of Paulding County) as of December 31, 2000 and 1999, and the related statements of operations, changes in fund balance, and cash flows for the years then ended. These financial statements are the responsibility of Paulding County 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paulding County Hospital, as of December 31, 2000 and 1999, and the results of its operations, changes in fund balance, and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2001 on our consideration of Paulding County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 9, 2001

**PAULDING COUNTY HOSPITAL**  
 Balance Sheets - Unrestricted and Restricted Funds  
 December 31, 2000 and 1999

	2000	1999
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 68,851	63,470
Patient accounts receivable, net	1,820,403	1,976,627
Physicians accounts receivable	200,375	-
Other receivables	121,968	88,819
Inventories	283,277	253,720
Prepaid expenses	91,670	122,473
Total current assets	2,586,544	2,505,109
Assets limited as to use:		
Investments	4,464,334	5,633,668
Accrued interest receivable	153,232	121,667
Notes receivable	105,596	130,677
Property and equipment, net	5,835,760	4,738,975
Donor restricted funds:		
Investments	600,621	587,012
Accrued interest receivable	24,393	-
Total assets	\$ 13,770,480	13,717,108
<u>Liabilities, Fund Balance and Equity</u>		
Current liabilities:		
Current maturities of notes and capital lease payable	\$ 247,786	381,227
Accounts payable	437,434	519,443
Accrued Medicare/Medicaid settlement	200,113	146,410
Accrued expenses:		
Payroll and taxes	192,697	101,969
Vacation pay	266,212	252,995
Other	162,184	48,745
Total current liabilities	1,506,426	1,450,789
Notes and capital lease payable, net of current maturities	846,507	1,005,953
Total liabilities	2,352,933	2,456,742
Fund balance and equity:		
Contributed capital	1,900,000	1,900,000
Unrestricted fund balance	8,892,533	8,773,354
Restricted fund balances:		
Specific purpose funds	13,385	13,142
Endowment funds	611,629	573,870
Total fund balance and equity	11,417,547	11,260,366
Total liabilities, fund balance and equity	\$ 13,770,480	13,717,108

See accompanying notes to the financial statements.



**PAULDING COUNTY HOSPITAL**  
**Statements of Operations - Unrestricted Funds**  
**Years Ended December 31, 2000 and 1999**

	<u>2000</u>	<u>1999</u>
<b>Revenue:</b>		
Net patient service revenue	\$ 10,701,669	10,591,728
Other revenue	<u>221,464</u>	<u>207,805</u>
Total revenue	<u>10,923,133</u>	<u>10,799,533</u>
<b>Expenses:</b>		
Salaries and wages	5,066,779	4,797,459
Employee benefits	1,262,335	1,181,923
Fees to individuals and organizations	390,409	772,933
Supplies and other expenses	2,378,099	2,114,099
Purchased services	1,066,064	1,062,317
Depreciation	775,594	794,848
Interest	67,836	82,985
Provision for bad debt	363,432	241,499
Loss on sale of operating assets	<u>1,902</u>	<u>795</u>
Total expenses	<u>11,372,450</u>	<u>11,048,858</u>
Operating loss	(449,317)	(249,325)
<b>Nonoperating income (loss):</b>		
Investment earnings	360,157	233,607
Gifts	198,225	23,867
Other, net	<u>10,114</u>	<u>3,196</u>
Excess of revenues and nonoperating gains over expenses and nonoperating losses	\$ <u>119,179</u>	<u>11,345</u>

See accompanying notes to the financial statements.

**PAULDING COUNTY HOSPITAL**  
**Statements of Changes in Fund Balances**  
**Years Ended December 31, 2000 and 1999**

		<u>Unrestricted</u>	<u>Donor Restricted Funds</u>	
		<u>General Funds</u>	<u>Specific Purpose Funds</u>	<u>Endowment Funds</u>
Fund balance, December 31, 1998	\$	8,762,009	12,879	543,653
Excess of revenues and nonoperating gains over expenses and nonoperating losses		11,345	-	-
Investment income		-	263	30,217
Fund balance, December 31, 1999	\$	<u>8,773,354</u>	<u>13,142</u>	<u>573,870</u>
Fund balance, December 31, 1999	\$	8,773,354	13,142	573,870
Excess of revenues and nonoperating gains over expenses and nonoperating losses		119,179	-	-
Investment income		-	243	37,759
Fund balance, December 31, 2000	\$	<u>8,892,533</u>	<u>13,385</u>	<u>611,629</u>

See accompanying notes to the financial statements.

**PAULDING COUNTY HOSPITAL**  
 Statements of Cash Flows - Unrestricted and Restricted Funds  
 Years Ended December 31, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Operating loss	\$ (449,317)	(249,325)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	775,594	794,848
Proceeds from sale of operating assets	-	1,750
Miscellaneous nonoperating income	10,114	32,094
Effects of changes in operating assets and liabilities:		
Receivables, net	(77,300)	47,113
Inventories	(29,557)	(25,252)
Prepaid expenses	30,803	31,970
Accounts payable	(82,009)	186,942
Accrued Medicare/Medicaid settlement	53,703	(3,590)
Accrued expenses	217,384	(331,819)
Net cash provided by operating activities	449,415	484,731
 Cash flows from noncapital financing activities:		
Unrestricted gifts received	198,225	23,867
Net cash provided by noncapital financing activities	198,225	23,867
 Cash flows from capital and related financing activities:		
Inception of capital lease	97,212	-
Payment of debt principal	(390,099)	(147,543)
Contributed capital	-	1,900,000
Capital expenditures	(1,802,812)	(585,152)
Decrease (increase) in assets limited as to use, net	1,162,850	(2,118,468)
Net cash used by capital and related financing activities	(932,849)	(951,163)
 Cash flows from investing activities:		
(Increase) in donor restricted funds	(38,002)	(30,480)
Investment earnings	328,592	233,607
Net cash provided by investing activities	290,590	203,127
 Net increase (decrease) in cash	5,381	(239,438)
 Cash and cash equivalents, beginning of year	63,470	302,908
 Cash and cash equivalents, end of year	\$ 68,851	63,470
 <u>Supplemental disclosure of cash flow information</u>		
Cash paid for:		
Interest	\$ 67,836	82,985

See accompanying notes to the financial statements.

# PAULDING COUNTY HOSPITAL

Notes to the Financial Statements

December 31, 2000 and 1999

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## 1. Significant Accounting Policies:

### Organization

Paulding County Hospital (Hospital) operates under the authority of Section 339, Ohio Revised Code, to provide inpatient, outpatient and emergency care services for the residents of Paulding County, Ohio. A Board of Trustees appointed by the County Commissioners, the Probate Judge and the Judge of the Court of Common Pleas of Paulding County governs the Hospital. The Hospital is considered a component unit of Paulding County, Ohio (County), and is included as a component unit in the general-purpose financial statements of the County.

### Cash and cash equivalents

For the statements of cash flows, cash and cash equivalents include cash on hand and amounts in demand deposits.

### Inventories

Inventories are stated at the lower of cost or market determined on a first-in, first-out (FIFO) basis. Inventory consists of goods and supplies used in providing healthcare services.

### Assets whose use is limited

Assets whose use is limited include assets set aside by the Hospital Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets placed in the health education fund, which is used by the Board of Trustees to make loans to students pursuing courses of study in the health care profession.

### Property and equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

### Donor restricted funds

Donor restricted funds are used to differentiate funds, the use of which is specified by donors, from general funds upon which donors place no restriction or that arise as a result of the operation of the Hospital for its stated purposes. Assets whose use is limited are not considered to be restricted funds. Restricted gifts and other restricted resources are recorded as direct additions to the appropriate restricted fund.

Funds restricted by donors for plant replacement and expansion are added to the general fund balance to the extent expended within the period.

# PAULDING COUNTY HOSPITAL

Notes to the Financial Statements

December 31, 2000 and 1999

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## Net patient service revenue

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. Retroactive adjustments are accrued on an estimated basis in the period, as final settlements are determined.

## Investment income

Investment income on borrowed funds, Board designated funds (funded depreciation) and general funds are recorded as nonoperating gains. All investment income from donor restricted funds is added to the restricted fund balance.

## Charity care

The Hospital provides care to patients that meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are charged as an allowance for charity care.

## Proprietary fund accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

## Accounting standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

## Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PAULDING COUNTY HOSPITAL**

Notes to the Financial Statements

December 31, 2000 and 1999

2. Cash and cash equivalents:

Deposits

At year-end, the carrying amount of Paulding County Hospital's deposits was \$5,131,806 and the bank balance was \$6,580,990. Federal depository insurance covered \$500,000 of the bank balance, and all remaining deposits were classified as Category 3, which GASB defines as uncollateralized or collateralized with securities held by the pledging financial institution's trust department of agent but not in the Hospital's name. In accordance with Ohio Revised Code, Section 135.181, the remaining balance was covered by pooled collateral.

Reconciliation of cash and cash equivalents and investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth on GASB Statement No. 3.

A reconciliation between classifications of cash and investments are as follows:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Per Balance Sheet	\$ 68,851	\$ 5,064,955
Certificates of Deposit (with maturities of more than 3 months)	<u>5,064,955</u>	<u>(5,064,955)</u>
Per GASB Statement No. 3	\$ <u>5,131,806</u>	\$ <u>-</u>

3. Patient Accounts Receivable:

Patient accounts receivable are recorded as services are performed. The allowance for bad debts is increased by 1.75% of patient revenue and the allowance for charity care is increased by .75% of patient revenue. Allowances for third party contractual adjustments are recorded at amounts determined by management upon review of third party billings. All uncollectible accounts are written off against the respective allowance account. Net patient accounts receivable at December 31, 2000 and 1999 are calculated as follows:

	<u>2000</u>	<u>1999</u>
Patient Accounts Receivable	\$ 2,708,639	\$ 3,145,047
Total Allowances for Uncollectible Amounts	<u>(888,236)</u>	<u>(1,168,420)</u>
Patient Accounts Receivable, net	\$ <u>1,820,403</u>	\$ <u>1,976,627</u>

**PAULDING COUNTY HOSPITAL**

Notes to the Financial Statements

December 31, 2000 and 1999

4. Assets Whose Use is Limited:

The composition of assets whose use is limited at December 31, 2000 and 1999 is set forth below:

	<u>2000</u>	<u>1999</u>
By Board for Capital Improvements:		
Deposits in financial institutions	\$ 4,464,334	\$ 5,633,668
Accrued interest receivable	153,232	121,667
By Board to Fund the Health Education Fund:		
Notes receivable	<u>105,596</u>	<u>130,677</u>
Total Assets Whose Use Is Limited	\$ <u>4,723,162</u>	\$ <u>5,886,012</u>

5. Property and Equipment:

A summary of property and equipment at December 31, 2000 and 1999 is listed below:

	Estimated <u>Lives</u>	<u>2000</u>	<u>1999</u>
Land	Not applicable	\$ 30,609	\$ 30,609
Land improvements	5-25 years	124,444	124,444
Building and improvements	5-50 years	5,550,658	5,388,614
Fixed equipment	5-20 years	1,455,292	1,455,292
Moveable equipment	5-20 years	5,581,312	5,287,020
Construction in process	Not applicable	<u>1,567,713</u>	<u>169,050</u>
Total		14,310,028	12,455,029
Less accumulated depreciation		<u>(8,474,268)</u>	<u>(7,716,054)</u>
Property and equipment, net		\$ <u>5,835,760</u>	\$ <u>4,738,975</u>

6. Notes and Capital Lease Payable:

	<u>2000</u>	<u>1999</u>
4.69% commercial note payable to State Bank in 24 months with monthly payments of \$8,701 including interest. Secured by ultrasound machine.	\$ 17,119	\$ 118,480
4.78% commercial note payable to State Bank in 60 months with monthly payments of \$10,166 including interest. Secured by equipment.	40,360	157,281
5.94% commercial note payable to First Federal Bank in 60 months with monthly payments of \$1,881 including interest. Secured by equipment.	88,752	-
5.52% capital lease payable to Fifth Third Bank in 120 months with monthly payments of \$18,385 including interest. Secured by HVAC system.	<u>948,062</u>	<u>1,111,419</u>
Total	\$ <u>1,094,293</u>	\$ <u>1,387,180</u>

**PAULDING COUNTY HOSPITAL**

Notes to the Financial Statements

December 31, 2000 and 1999

Principal payments are due as follows:

2001	\$ 247,786
2002	201,178
2003	212,667
2004	224,815
2005	<u>207,847</u>
	\$ <u>1,094,293</u>

Future minimum payments on the capital lease payable are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 243,182	\$ 190,307	\$ 52,875
2002	243,182	201,178	42,005
2003	243,182	212,667	30,514
2004	243,182	224,815	18,366
2005	<u>213,514</u>	<u>207,847</u>	<u>5,668</u>
	\$ <u>1,186,242</u>	\$ <u>1,036,814</u>	\$ <u>149,428</u>

Assets acquired under capital lease are summarized below:

	<u>Cost</u>	<u>Estimated Life</u>	<u>2000 Depreciation</u>	<u>Accumulated Depreciation</u>
HVAC System	\$ 1,736,188	15 years	\$ 115,746	\$ 508,433
Roof	\$ 97,212	25 years	\$ 1,944	\$ 1,944

**7. Contributed Capital:**

The Hospital has received \$1,900,000 from Paulding County to pay for the costs of renovating, expanding, modernizing and equipping Paulding County Hospital. The voters of Paulding County passed a levy in November 1999 to approve the levy of ad valorem taxes on all property in the County subject to ad valorem taxes levied by the County, which taxes are unlimited as to amount. Due to the County not collecting property tax revenue on this levy until the year 2001, the County issued a bond anticipation note. The Hospital received the proceeds of the note from the County, which matures September 14, 2000 with an interest rate of 4.5%. The Hospital has no obligation for the retirement of the notes or the bonds, which are backed by the full faith of Paulding County.

**8. Patient Service Revenue:**

The Hospital has agreements with third-party payors that provide for reimbursements to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. Following is a summary of the Hospital's primary third party payors:



# PAULDING COUNTY HOSPITAL

Notes to the Financial Statements

December 31, 2000 and 1999

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## Medicare and Medicaid

Inpatient care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Ancillary outpatient services are paid on both a cost reimbursement and prospective basis. Defined capital costs related to Medicare beneficiaries are paid primarily on a prospectively determined method per discharge. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

Any adjustments necessary between the tentative cost reimbursement amount and the final settlement is included as a contractual adjustment in the year the adjustment is determined.

## 9. Public Employees Retirement System:

Paulding County Hospital participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the Hospital's contribution rate for 2000 was 10.84% of covered payroll. The Hospital's contributions, representing 100% of employer contribution's for the periods ended December 31, 2000, 1999, and 1998 were \$1,105,340, \$1,094,264, and \$984,603, respectively.

## 10. Other Postemployment Benefits:

The Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. For local government employer units the rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for the year.

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

# PAULDING COUNTY HOSPITAL

Notes to the Financial Statements

December 31, 2000 and 1999

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**Actuarial Review:** The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 1999.

**Funding Method:** An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

**Assets Valuation Method:** All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

**Investment Return:** The investment assumption rate for 1999 was 7.75%.

**Active Employee Total Payroll:** An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

**Health Care:** Health care costs were assumed to increase 4.75% annually.

The OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The portion of Hospital's contributions that were used to fund postemployment benefits was \$438,488. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate roll back was 20% for both state and local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

## 11. Malpractice Costs:

The Hospital has malpractice insurance coverage of \$1,000,000 per each medical incident and \$3,000,000 in the aggregate and \$5,000,000 excess coverage with the Ohio Hospital Insurance Company on an occurrence based policy.

## 12. Contingencies:

The Hospital is involved in various lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount, if any, of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be covered under the Hospital's professional liability insurance policy and would not have a material effect on the financial position of the Hospital.

**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

Board of Trustees  
Paulding County Hospital  
Paulding, Ohio

We have audited the financial statements of Paulding County Hospital as of and for the year ended December 31, 2000, and have issued our report thereon dated March 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Paulding County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Paulding County Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Paulding County Hospital in a separate letter dated March 9, 2001.

This report is intended solely for the information of the Board of Trustees, Paulding County and management and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*  
Springfield, Ohio  
March 9, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**PAULDING COUNTY HOSPITAL**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 29, 2001**