

**MERCER COUNTY JOINT TOWNSHIP
COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT
FOUNDATION PHYSICIAN CORPORATION**

March 31, 2002

*COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Joint Township Community Hospital
800 W. Main Street
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We have reviewed the Independent Auditor's Report of the Joint Township Community Hospital, Mercer County, prepared by VonLehman & Company, Inc., for the audit period April 1, 2001 through March 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 6, 2002

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**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mercer County Joint Township Community Hospital

We have audited the accompanying combined balance sheet of Mercer County Joint Township Community Hospital and The Medical and Educational Development Foundation (MEDF) Physician Corporation as of March 31, 2002, and the related statement of operations, fund balances, and cash flows for the year then ended. The financial statements of Mercer County Joint Township Community Hospital for the year ended March 31, 2001 were audited by other auditors, whose report dated November 20, 2001, expressed an unqualified opinion on those statements. 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 audit.

We conducted our audit in accordance with U.S. 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 audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mercer County Joint Township Community Hospital and The Medical and Educational Development Foundation Physician Corporation as of March 31, 2002, and the results of its operations, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 17, 2002, on our consideration of Mercer County Joint Township Community 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.

VonLehman and Company Inc.

Fort Mitchell, Kentucky
October 17, 2002

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION
COMBINED BALANCE SHEETS**

**ASSETS
General Fund**

	March 31,	
	2002	2001
Current Assets		
Cash and Cash Equivalents	\$ 823,977	\$ 367,817
Patient Accounts Receivable, Net of Estimated Uncollectibles (2002-\$375,391; 2001-\$202,214)	4,733,193	4,408,741
Inventories	623,112	564,629
Prepaid Expenses	122,347	81,845
Other Receivable	26,587	30,730
 Total Current Assets	 6,329,216	 5,453,762
 Cash, Cash Equivalents and Investments Whose Use is Limited		
Board Designated for Future Capital Purposes:		
Cash and Cash Equivalents	3,368,825	3,543,671
 Specific Purpose Funds		
Cash and Cash Equivalents	25,000	25,000
 Property, Plant and Equipment, Net	11,821,173	12,098,305
 Other Assets	223,366	48,555
 Total Assets	 \$ 21,767,580	 \$ 21,169,293

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION
COMBINED STATEMENTS OF OPERATIONS**

General Fund

	Years Ended March 31,	
	2002	2001
Net Patient Service Revenues	\$ 26,630,700	\$ 22,843,404
Other Operating Revenues	290,414	226,085
Total Operating Revenues	26,921,114	23,069,489
Operating Expenses		
Nursing Service	6,195,875	5,817,442
Medical Professional Services	6,207,781	5,620,502
General Services	2,666,735	2,623,352
Administrative Services	8,804,361	6,150,986
Depreciation	1,279,945	881,141
Provision for Bad Debts	1,007,759	1,317,549
Total Operating Expenses	26,162,456	22,410,972
Income from Operations	758,658	658,517
Non-Operating Income		
Investment Earnings	122,936	232,287
Unrestricted Gifts	4,281	38,761
Total Non-Operating Income	127,217	271,048
Excess of Revenues Over Expenses	\$ 885,875	\$ 929,565

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION
COMBINED STATEMENTS OF CHANGES IN FUND BALANCES**

	<u>2002</u>		<u>2001</u>	
	<u>General Fund</u>	<u>Restricted Funds</u>	<u>General Fund</u>	<u>Restricted Funds</u>
Balance Beginning of Year	\$ 17,941,779	\$ 25,000	\$ 17,012,214	\$ 25,000
Excess of Revenues Over Expenses	<u>885,875</u>	<u>-</u>	<u>929,565</u>	<u>-</u>
Balance End of Year	<u>\$ 18,827,654</u>	<u>\$ 25,000</u>	<u>\$ 17,941,779</u>	<u>\$ 25,000</u>

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION
COMBINED STATEMENTS OF CASH FLOWS**

	March 31,	
	2002	2001
Cash Flows from Operating Activities		
Income from Operations	\$ 758,658	\$ 658,517
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	1,279,945	1,317,549
Changes in:		
Patient Accounts Receivable	(324,452)	(654,311)
Inventories	(58,483)	41,459
Prepaid Expenses and Other Receivable	(36,359)	50,558
Accounts Payable	(332,297)	(88,360)
Accrued Expenses	44,709	195,571
	1,331,721	1,520,983
 Cash Flows from Capital and Related Financing Activities		
Acquisition of Property and Equipment	(1,002,813)	(1,603,348)
 Cash Flows from Investing Activities		
Non-Operating Income	127,217	271,048
Change in Cash and Cash Equivalents Whose Use is Limited	174,846	(134,571)
Other Assets	(174,811)	-
	127,252	136,477
 Net Change in Cash and Cash Equivalents	456,160	54,112
 Beginning Cash and Cash Equivalents	367,817	313,705
 Ending Cash and Cash Equivalents	\$ 823,977	\$ 367,817

See accompanying notes.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING POLICIES

Mercer County Joint Township Community Hospital (the Hospital) is a 76-bed facility, located in Mercer County, Ohio and operates under the direction of a ten member board of governors pursuant to the authority of the Joint Township Hospital Board of Trustees with representatives from Butler, Franklin, Gibson, Granville, Marion, Recovery, and Washington Townships. The Medical and Educational Development Foundation (MEDF) Physician Corporation is a not for profit, non-governmental entity. MEDF manages physician practices. The Hospital is deemed to have control over MEDF. The financial statements of MEDF have been combined with the Hospital's financial statements. All intercompany transactions have been eliminated.

Nature of Operations

The Hospital's operations consist almost exclusively of providing healthcare services to the residents of Mercer County, Ohio, and the surrounding area.

Basis of Accounting

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

Accounting Standards

Pursuant to Governmental 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) that do not conflict with or contradict GASB pronouncements, including those issued after November 30, 1989.

Funds

In accordance with the published recommendations of the American Institute of Certified Public Accountants, the Hospital segregates its accounting records into the following funds:

General Fund

This fund is used to account for all the revenues derived and expenses incurred in the day-to-day activities of the Hospital together with all unrestricted donor contributions.

Restricted Funds

These funds are used to account for the receipts and disbursements of donor-restricted contributions.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTE 1 – ACCOUNTING POLICIES (Continued)

Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents are deposited in financial institutions as authorized and directed by State statutes. All deposits are collateralized by pledged securities of the financial institutions up to or exceeding the value of the deposits, as specified by State statutes.

For cash flow purposes, cash and cash equivalents are defined as those unrestricted and undesignated funds on deposit which have maturities of three months or less.

Cash, Cash Equivalents, and Investments Whose Use is Limited

Cash, cash equivalents, and investments whose use is limited include assets set aside by the Board of Trustees for future capital improvements, over which the Board of Trustees retains control and may at its discretion subsequently use for other purposes.

Inventories

Inventories consist primarily of supplies and are valued at the lower of cost under the first-in, first-out (FIFO) method, or market.

Property and Equipment

Property and equipment is recorded at cost or at fair market value at the date received if acquired by gift. It is the Hospital's policy to capitalize acquired property and equipment with a cost or fair market value of \$500 or greater. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expense as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the depreciable assets as follows:

Land Improvements	5 - 20 Years
Buildings and Fixed Equipment	5 - 40 Years
Major Movable Equipment	2 - 20 Years

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTE 1 – ACCOUNTING POLICIES (Continued)

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid at a prospectively determined rate per day based on clerical, diagnostic and other factors. Outpatient services are reimbursed on a prospective rate scale based on Ambulatory Patient Classifications (APC's). Home Health Services are reimbursed on a prospective basis for episodes of care spanning 60 days. There are exceptions which could adjust the 60-day payment period. The payment rates are based on a clinical assessment system called OASIS (the Outcome and Assessment Information Set). Final settlements are determined upon submission of the annual cost report by the Hospital and audits thereof by the Medicare Fiscal Intermediary.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a rate per discharge basis. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fee schedule basis. Inpatient capital costs are reimbursed at a tentative rate with a final settlement to be determined after submission of the annual cost report by the Hospital and audits thereof by the Medicaid Fiscal Intermediary.

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

Charity Care

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Legal Requirements

Statutes require the classification of monies held by the Hospital into three categories:

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for current demands. Such monies must be maintained either as cash or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies; those monies which are not needed for immediate use, but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the full faith and credit of the United States is pledged for the payment of principal and interest;

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
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NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality. The securities fall into three categories: obligations of the federal government, federal agencies, and federal instrumentalities;

Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts in any eligible institution mentioned in Section 135.32 of the Ohio Revised Code having an office located within the territorial limits of the county;

Bonds or other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this state or its political subdivisions;

Effective October 7, 1993, no load money market funds consisting exclusively of obligations described as "active" and "inactive" monies above, and repurchase agreements secured by such obligations so long as they are made through eligible institutions mentioned in Section 135.32 of the Ohio Revised Code;

The State Treasurer's investment pool.

The investing authority may also enter into a written repurchase agreement under the terms of which agreement the investing authority purchases and the seller agrees unconditionally to repurchase any of the securities listed in categories 1 and 2 above. He also may sell any of such securities owned by the county under the same terms and conditions for repurchase.

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Insured or collateralized with securities held by the entity or by its agent in the entity's name;

Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;

Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

At year end, the carrying amount of the Hospital's deposits was \$4,217,802 and the bank balance was \$4,797,940. Of the bank balance:

\$194,915 was covered by federal depository insurance and would belong in the risk category "insured or collateralized"; and

\$4,603,025 was covered by collateral held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and belongs in the risk category "uncollateralized".

NOTE 3 – 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 illness; natural disasters; and employee health, dental and accident benefits.

Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTE 4 – COMPONENTS OF PATIENT ACCOUNTS RECEIVABLE

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Hospital has established credit and collection policies to hold this cost to a minimum. Provisions for bad debts are recorded as operating expenses on the financial statements.

The Hospital's net patient accounts receivable (unsecured) were concentrated in the following major payor classes:

	2002
Federal Government: Medicare	\$ 1,022,400
State of Ohio: Medicaid, Workers Compensation	430,816
Commercial Insurance, Self-Pay and Other	3,279,977
Total	\$ 4,733,193

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment are as follows:

	March 31,	
	2002	2001
Land	\$ 44,300	\$ 44,300
Building and Improvements	15,968,264	14,974,111
Community Medical Center	3,992,565	3,888,574
Equipment	9,966,523	9,416,396
Parking Lot	213,345	213,345
Construction in Progress	37,518	791,021
Total	30,222,515	29,327,747
Less Accumulated Depreciation	(18,401,342)	(17,229,442)
Property, Plant and Equipment, Net	\$ 11,821,173	\$ 12,098,305

NOTE 6 – OTHER ASSETS

The Hospital is a member of the West Central Ohio Regional Healthcare Alliance, Ltd. (WCORHA) along with four other area hospitals. Each hospital owns a 20% interest. The current project of the WCORHA is the construction of a cancer center. The investment in WCORHA is handled on the equity method.

NOTE 7 – RESTRICTED FUND BALANCES

These funds represent donor-restricted contributions. Interest earned on these funds is unrestricted.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTE 8 – OPERATING LEASES

The Hospital has entered into lease agreements for certain buildings under operating lease terms. The following are the net minimum lease payments for these leases:

2003	\$ 51,052
2004	6,048
2005	6,048
2006	<u>3,540</u>
 Total	 \$ <u>66,688</u>

Total rental expense for operating leases, for the years ended March 31, 2002 and 2001 was approximately \$147,000 and \$160,000, respectively.

NOTE 9 – PENSION PLAN

The Hospital participates in a state pension plan, the Public Employees Retirement System (PERS), which covers substantially all employees.

The PERS plan is a cost sharing, multiple employer, defined benefit, public employee retirement plan. It provides retirement, disability and death benefits to plan members and beneficiaries. The PERS plan also provides health care benefits to vested retirees. Benefits provided under the plan are established by State Statute.

The plan issues a separate, publicly available financial report that includes a balance sheet and required supplementary information. This report may be obtained by contacting: Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 42315, Telephone (614) 466-2085.

The Ohio Revised Code provides PERS statutory authority for employer and employee contributions. The required, actuarially-determined contribution rates for the Hospital and for the employee are 13.55% and 8.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years were as follows:

<u>Year</u>	<u>Contribution</u>
2002	\$ 1,457,194
2001	1,009,066
2000	1,282,913

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS

In addition to the pension benefits described above, PERS also provides post-retirement health care coverage, commonly referred to as OPEB (Other Post-Employment Benefits). The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions.

PERS provides post-retirement health care coverage to age and service retirants and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The 2001 employer rate for employees' coverage by PERS was 13.55%, of which 4.30% was used to fund health care.

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
AND
THE MEDICAL AND EDUCATIONAL DEVELOPMENT FOUNDATION PHYSICIAN CORPORATION**

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

OPEB are advanced-funded on an actuarially-determined basis. The number of active contributing participants at December 31, 2000 was 411,076. The actuarial value of the net assets available for OPEB at the most recent actuarial review performed December 31, 2000 was \$11,735,900. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364,600 and \$2,628,700, respectively, as of December 31, 2000. The actuarial assumptions used to calculate these amounts are as follows:

- 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 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 2002 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.

NOTE 11 – MALPRACTICE INSURANCE

As of March 31, 2002, the Hospital carried occurrence basis malpractice insurance coverage of \$1,000,000 per claim and \$3,000,000 aggregate, plus excess liability coverage of \$3,000,000.

NOTE 12 – CONCENTRATIONS

Medicare and Medicaid accounted for approximately 33% of the Hospital's net patient service revenue during the years ended March 31, 2002 and 2001.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Mercer County Joint Township Community Hospital

We have audited the financial statements of Mercer County Joint Township Community Hospital as of and for the year ended March 31, 2002, and have issued our report thereon dated October 17, 2002. We conducted our audit in accordance with U.S. 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 Mercer County Joint Township Community 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 Mercer County Joint Township Community 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 general purpose 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.

This report is intended solely for the information and use of the board of trustees, management, and the Auditor of State of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman and Company Inc.

Fort Mitchell, Kentucky
October 17, 2002

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
NONCOMPLIANCE CITATIONS - OHIO REVISED CODE
YEAR ENDED MARCH 31, 2002**

NONE

**MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL
STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS**

NONE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MERCER COUNTY JOINT TOWNSHIP COMMUNITY HOSPITAL

MERCER 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
NOVEMBER 21, 2002**