

Wyandot Memorial Hospital

**Financial Report
with Additional Information
December 31, 2003**



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Wyandot Memorial Hospital, Wyandot County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 27, 2004

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Wyandot Memorial Hospital

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Plante & Moran, PLLC
110 E. Main St.
P.O. Box 765
Lancaster, OH 43130-0765
Tel: 740.653.7144
Fax: 740.653.2947
plantemoran.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of Wyandot Memorial Hospital as of December 31, 2003 and 2002, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wyandot Memorial Hospital as of December 31, 2003 and 2002, and the changes in financial position, including cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Hospital adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2004, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the financial statements of Wyandot Memorial Hospital. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and, accordingly, do not express an opinion thereon.

Plante & Moran, PLLC

April 1, 2004

A member of



A worldwide association of independent accounting firms

Wyandot Memorial Hospital

Management's Discussion and Analysis

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 year ended December 31, 2003. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with the discussion and analysis.

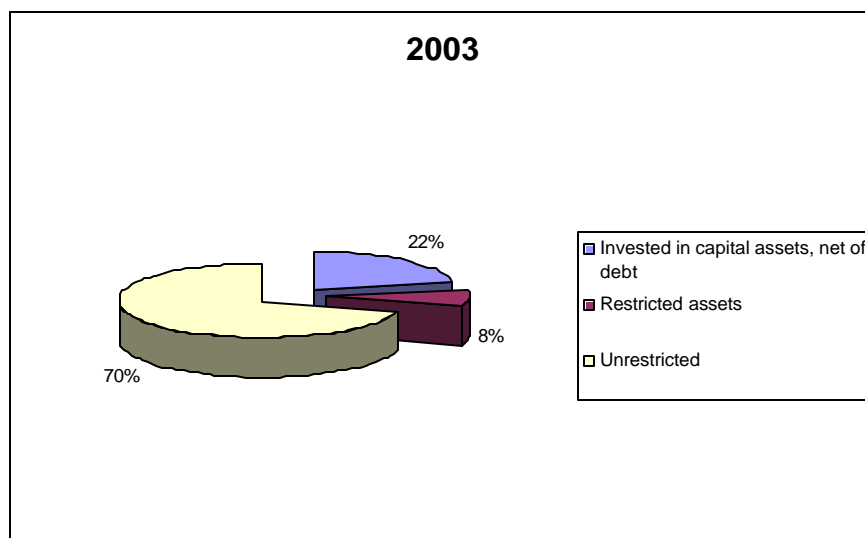
Using this Annual Report

The Hospital's financial statements consist of three statements – Balance Sheet, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purpose by contributors, grantors, or enabling legislation.

Financial Highlights

The Hospital's financial position improved significantly during the year ended December 31, 2003. Long-term investments increased by \$3,739,563 or 61.7 percent from the prior year. However, current assets decreased by \$1,236,682, or 10.7%, from the prior year. This was due to a large decrease in patient accounts receivable and significant investment activity. The Hospital's revenue and other support exceeded expenses, creating an increase in net assets of \$2,380,978 (compared to a \$3,176,162 increase in the previous year). The increased net assets were primarily caused by a significant increase in patient revenue due to charge increases, additional services, and growth in ancillary service volumes.

The following chart provides a breakdown of net assets by category as of December 31, 2003:



Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information on the Hospital as a whole and on its activities in a way that helps answer this question. When revenue and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenue and expenses may be thought of as the Hospital's operating results.

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other non-financial factors, such as the trend in patient days, outpatient visits, conditions of the buildings, and strength of the medical staff, to assess the overall health of the Hospital.

The statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following is a comparative analysis of the major components of the Statement of Net Assets of the Hospital as of December 31, 2003:

	December 31		Change	
	2003	2002	Amount	Percent
Current assets	\$ 10,323,745	\$ 11,560,427	\$ (1,236,682)	-10.7%
Assets limited as to use	2,095,734	2,224,413	(128,679)	-5.8%
Long-term investments	9,796,988	6,057,425	3,739,563	61.7%
Capital and other assets	6,407,218	6,744,862	(337,644)	-5.0%
Total assets	\$ 28,623,685	\$ 26,587,127	\$ 2,036,558	7.7%
Current liabilities	\$ 1,535,522	\$ 1,654,481	\$ (118,959)	-7.2%
Long-term liabilities	290,000	515,461	(225,461)	-43.7%
Total liabilities	\$ 1,825,522	\$ 2,169,942	\$ (344,420)	-15.9%
Net assets:				
Invested in capital assets - net of debt	\$ 5,880,315	\$ 5,941,262	\$ (60,947)	-1.0%
Restricted	2,095,734	2,224,413	(128,679)	-5.8%
Unrestricted	18,822,114	16,251,510	2,570,604	15.8%
Total net assets	\$ 26,798,163	\$ 24,417,185	\$ 2,380,978	9.8%

The primary change in the Statement of Net Assets relates to a significant increase in unrestricted net assets due to favorable operating results. A substantial portion of the change in unrestricted net assets was converted into new investments, resulting in the dramatic increase in non-current assets.

Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

Operating Results for the Year

	2003	2002	Change	
			Amount	Percent
Operating Revenue				
Net patient service revenue	\$ 19,309,690	\$ 18,143,195	\$ 1,166,495	6.4%
Other	501,082	856,217	(355,135)	-41.5%
Total operating revenue	19,810,772	18,999,412	811,360	4.3%
Operating Expenses				
Salaries	7,099,372	6,436,344	663,028	10.3%
Benefits	1,892,283	1,632,453	259,830	15.9%
Fees:				
Physicians	1,171,127	1,025,926	145,201	14.2%
Other	1,848,086	1,412,231	435,855	30.9%
Supplies	2,058,365	2,237,653	(179,288)	-8.0%
Utilities	229,282	225,081	4,201	1.9%
Repairs/Rental	355,035	220,228	134,807	61.2%
Depreciation	1,158,039	1,119,448	38,591	3.4%
Insurance	268,646	242,626	26,020	10.7%
Bad debts	791,311	893,858	(102,547)	-11.5%
Interest expense	41,864	54,364	(12,500)	-23.0%
Other expenses	1,113,444	1,029,518	83,926	8.2%
Total operating expenses	18,026,854	16,529,730	1,497,124	9.1%
Operating Income	1,783,918	2,469,682	(685,764)	-27.8%
Non-Operating Gains				
Income on Investments	518,523	578,381	(59,858)	-10.3%
Other - net	78,537	128,099	(49,562)	-38.7%
Total non-operating gains	597,060	706,480	(109,420)	-15.5%
Increase in Net Assets	2,380,978	3,176,162	(795,184)	-25.0%
Net Assets - beginning of year	24,417,185	21,241,023		
Net Assets - end of year	\$ 26,798,163	\$ 24,417,185		

Wyandot Memorial Hospital

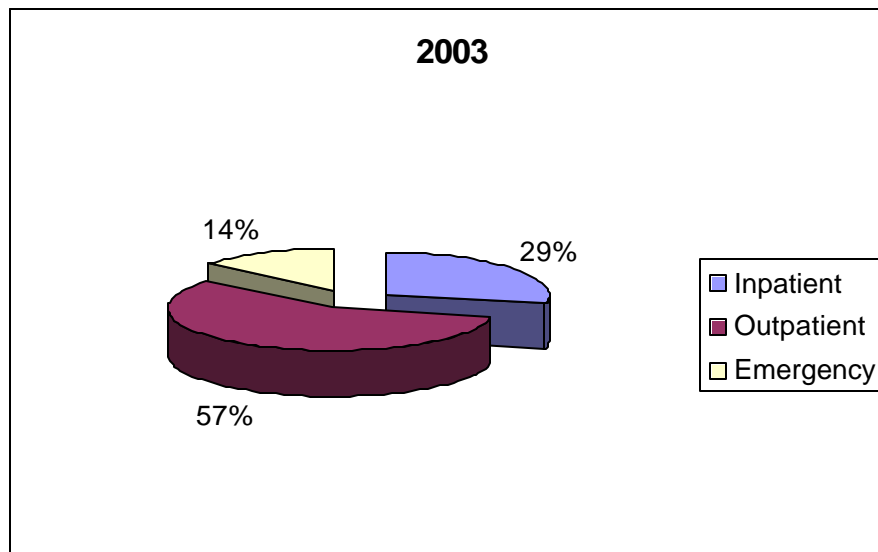
Management's Discussion and Analysis (Continued)

Operating Revenue

Operating revenue includes all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 6.4%. This was attributable to a 5.5% increase in charges, expanded services in some departments, and increases in volumes for certain ancillary services. Additionally, improved coding and billing techniques have increased revenue in certain areas. Gross patient revenue is reduced by revenue deductions. These deductions are the amounts that are not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid, and Medical Mutual of Ohio. These revenue deductions increased from 38.7% to 39.5% as a percentage of gross revenue.
- Other operating revenue decreased 41.5% due to the discontinuance of a local tax levy that funded the retirement of a building improvement bond issue. The bond retirement account had accumulated enough funds by 2002 to completely pay for the retirement of this debt.
- The following is a graphic illustration of operating revenues by source:



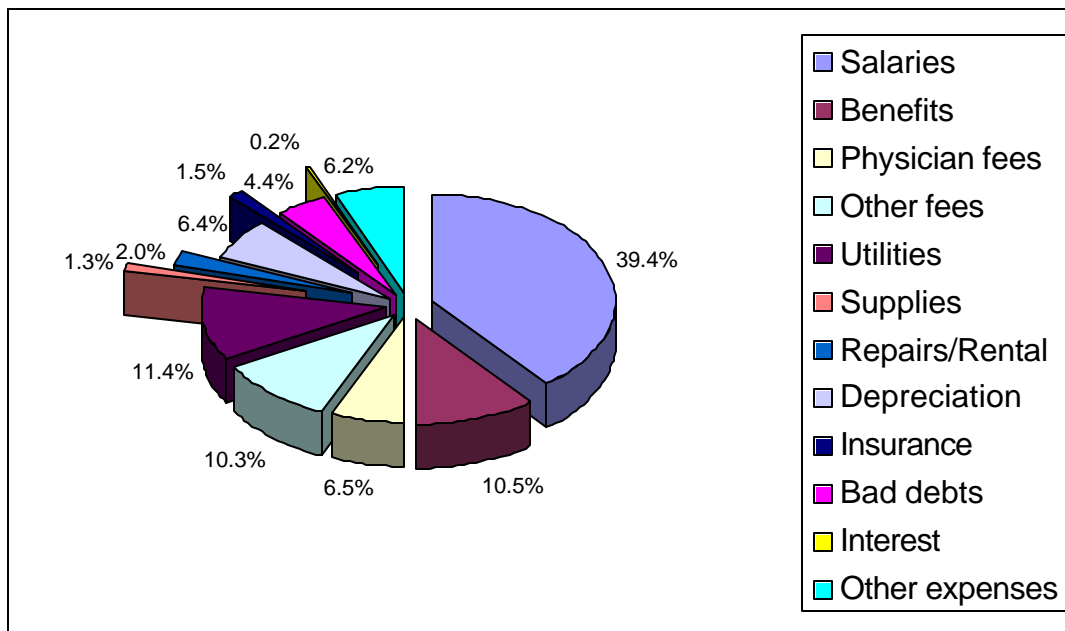
Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

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 10.3% due to cost of living raises and a 4.9% increase in the number of FTE's
- Benefit costs increased 15.9% due to dramatic increases in health insurance premiums paid by the Hospital for covered employees
- The increase in the physician fees was primarily related to an increase in the rate charged to the hospital by the contractor that supplies the Emergency Room Physicians. Additionally, there was an increase in the pathology volumes which caused an increase in the fees charged to the hospital by the service doing the professional pathology services.
- The other fees increase was partially due to an increase in the services provided by the nuclear medicine department. Additionally, a number of repairs were done to the physical plant which caused a large increase in plant purchased services. Collection fees also increased because of a larger volume of accounts being turned over to bad debt as the hospital was reducing the patient accounts receivable.
- Supplies decreased 8.0% due to improved purchasing and lower inpatient volumes
- Insurance costs increased 10.7% due to increased malpractice premiums paid for the hospital and some employed physicians
- Bad debt expense decreased 11.5% due to improved collection practices that manage patient accounts internally rather than referring them to collection
- The following is a graphic illustration of operating expenses by type for the year ended December 31, 2003:



Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

Non-Operating Gains

Non-operating gains are all sources that are primarily non-exchange in nature. They would consist primarily of investment income and donations.

Non-operating gains decreased slightly from the prior year. This was due to decline in interest rates being paid on investments and a decline in the amount of donations received by the Hospital.

Statement of Cash Flows

Another way to assess the financial health of a Hospital is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

	2003	2002	Increase (Decrease)
Cash provided (used) by:			
Operating and non-operating activities	\$ 3,821,440	\$ 3,133,214	\$ 688,226
Capital and related financing activities	(1,091,368)	(1,733,339)	641,971
Noncapital and related financing activities	78,537	128,099	(49,562)
Investing activities	<u>(2,690,823)</u>	<u>(972,813)</u>	<u>(1,718,010)</u>
Net increase (decrease) in cash	117,786	555,161	(437,375)
Cash - Beginning of the year	<u>4,448,428</u>	<u>3,893,267</u>	<u>555,161</u>
Cash - End of year	<u>\$ 4,566,214</u>	<u>\$ 4,448,428</u>	<u>\$ 117,786</u>

The Hospital's liquidity remained constant during the year. The following discussion amplifies the overview of cash flows presented above.

Cash provided by operating activities increased \$688,226 over the prior year. This was largely due to a substantial decrease in patient accounts receivable.

The Hospital scaled back expenditures on capital equipment; thereby reducing the cash used by capital and related financing activities.

Statement of Cash Flows (Continued)

Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

Due to favorable operating results, the Hospital was able to purchase a significant amount of new investments; thereby driving up investing activities.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2003, the Hospital had \$6,395,775 invested in capital assets, net of accumulated depreciation of \$9,800,847. Depreciation and amortization totaled \$1,158,039 for the current year compared to \$1,119,448 last year. Details of these assets, at their depreciated net values, for the past two years are shown below.

	2003	2002	Increase (Decrease)
Land	\$ 45,000	\$ 45,000	\$ -
Land improvements	30,190	12,730	17,460
Buildings and improvements	3,782,438	4,058,404	(275,966)
Major movable equipment	2,538,147	2,611,562	(73,415)
Total	<u>\$ 6,395,775</u>	<u>\$ 6,727,696</u>	<u>\$ (331,921)</u>

Debt

At year-end, the Hospital had \$515,461 in debt outstanding as compared to \$786,434 the previous year. The table below summarizes these amounts by type of debt instrument:

	2003	2002	Increase (Decrease)
Bonds payable	\$ 435,000	\$ 580,000	\$ (145,000)
Lease obligations	80,461	206,434	(125,973)
Total leases and bonds	<u>\$ 515,461</u>	<u>\$ 786,434</u>	<u>\$ (270,973)</u>

The Hospital has made strides to pay down its debt obligations and has done so in alignment with its prescribed debt schedules. More detailed information about the Hospital's long-term liabilities is presented in the footnotes to the financial statements.

Economic Factors That Will Affect the Future

Wyandot Memorial Hospital

Management's Discussion and Analysis (Continued)

The economic position of the Hospital is closely tied to that of the local Medical Staff. There was a loss of several Medical Staff during 2003. Efforts are ongoing to recruit replacements. Much of the Hospital reimbursement is limited by federal and state mandates, the current Medicare budget projects only an inflationary increase in funding to the Hospital in the next year of 2.0 percent. In addition, the Board of Trustees approved an average increase of 7% in the charge structure for the upcoming fiscal year.

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.

Contacting the Hospital's Management

This financial report is intended to provide our Board of Governors, Joint Township District Hospital Board, and other interested parties with a general overview of the Hospital's finances, and to show the Hospital's stewardship of its funds. If you have questions about this report or need additional information, we welcome you to contact the Director of Finance.

Dan Schryer
Chief Financial Officer

Wyandot Memorial Hospital

	December 31	
	2003	2002
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,696,968	\$ 3,406,626
Short-term investments (Note 2)	3,194,303	3,768,397
Patient accounts receivable (Note 3)	2,819,422	3,732,182
Inventories	359,140	443,325
Prepaid expenses and other	253,912	209,897
	<hr/>	<hr/>
Total current assets	10,323,745	11,560,427
Assets Limited as to Use (Note 2)	2,095,734	2,224,413
Long-Term Investments	9,796,988	6,057,425
Capital Assets, Net (Note 5)	6,395,775	6,727,696
Other Assets	11,443	17,166
	<hr/>	<hr/>
Total assets	<u>\$ 28,623,685</u>	<u>\$ 26,587,127</u>

Balance Sheet

December 31

20032002**Liabilities and Net Assets****Current Liabilities**

Current maturities of bonds payable (Note 6)	\$ 145,000	\$ 145,000
Current maturities of capital lease obligations (Note 6)	80,461	125,973
Accounts payable	414,952	508,999
Accrued expenses (Note 7)	895,109	874,509

Total current liabilities 1,535,522 1,654,481

Bonds Payable (Less Current Maturities) (Note 6) 290,000 435,000

Capital Lease Obligations (Less Current Maturities) (Note 6) - 80,461

Net Assets

Invested in capital assets - net of related debt	5,880,315	5,941,262
Restricted:		
Expendable for capital improvements, debt service, and other purposes	2,080,734	2,209,413
Non-expendable for permanent endowments	15,000	15,000
Unrestricted	18,822,114	16,251,510
Total net assets	<u>26,798,163</u>	<u>24,417,185</u>

Total liabilities and net assets **\$ 28,623,685** **\$ 26,587,127**

Wyandot Memorial Hospital

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2003	2002
Operating Revenue		
Net patient service revenue (Note 8)	\$ 19,309,690	\$ 18,143,195
Bond levy income	-	411,722
Other operating revenue	<u>501,082</u>	<u>444,495</u>
Total operating revenue	19,810,772	18,999,412
Operating Expenses		
Salaries and wages	7,099,372	6,436,344
Employee benefits	1,892,283	1,632,453
Supplies and other	3,052,218	3,167,351
Purchased services	3,723,121	2,983,286
Provision for bad debts	791,311	893,858
Depreciation and amortization	1,158,039	1,119,448
Insurance	268,646	242,626
Interest	<u>41,864</u>	<u>54,364</u>
Total operating expenses	<u>18,026,854</u>	<u>16,529,730</u>
Income from Operations	1,783,918	2,469,682
Non-Operating Gains		
Income on investments	518,523	578,381
Other - net	<u>78,537</u>	<u>128,099</u>
Total net non-operating gains	<u>597,060</u>	<u>706,480</u>
Increase in Net Assets	2,380,978	3,176,162
Net Assets - Beginning of year	<u>24,417,185</u>	<u>21,241,023</u>
Net Assets - End of year	<u>\$ 26,798,163</u>	<u>\$ 24,417,185</u>

Wyandot Memorial Hospital

Statement of Cash Flows

	2003	2002
Cash Flows from Operating and Non-Operating Activities		
Cash received from patients and third-party payors	\$ 19,431,139	\$ 16,536,139
Cash payments to suppliers for services and goods	(7,115,966)	(6,197,979)
Cash payments to employees for services	(8,952,951)	(8,006,799)
Bond levy income	-	411,722
Other operating revenue received	501,082	444,495
Interest paid	(41,864)	(54,364)
Net cash provided by operating and non-operating activities	3,821,440	3,133,214
Cash Flows from Investing Activities		
Proceeds from maturities of investments	4,053,300	3,376,512
Purchases of investments	(7,218,769)	(4,870,662)
Investment income received	518,523	578,030
Increase in assets limited as to use	(43,877)	(56,693)
Net cash used in investing activities	(2,690,823)	(972,813)
Cash Flows from Non-Capital and Related Financing Activities		
Donations and other	78,537	128,099
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(820,395)	(1,465,044)
Repayment of bonds payable	(145,000)	(145,000)
Payments on capital lease obligations	(125,973)	(123,295)
Net cash used in capital and related financing activities	(1,091,368)	(1,733,339)
Net Increase in Cash and Cash Equivalents	117,786	555,161
Cash and Cash Equivalents - Beginning of year	4,448,428	3,893,267
Cash and Cash Equivalents - End of year	<u>\$ 4,566,214</u>	<u>\$ 4,448,428</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Cash and cash equivalents in current assets	3,696,968	3,406,626
Cash and cash equivalents in assets limited as to use	869,246	1,041,802
Total Cash and Cash Equivalents	<u>\$ 4,566,214</u>	<u>\$ 4,448,428</u>

Wyandot Memorial Hospital

Statement of Cash Flows of General Fund (Cont.)

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

	Year Ended December 31	
	2003	2002
Cash Flows from Operating and Non-Operating Activities		
Income from operations	\$ 1,783,918	\$ 2,469,682
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and non-operating gains		
Depreciation and amortization	1,158,039	1,119,448
Provision for bad debts	791,311	893,858
Decrease (increase) in patient accounts receivable	121,449	(1,607,056)
Decrease (increase) in inventories	84,185	(28,912)
Decrease (increase) in prepaid expenses and other	(44,015)	11,042
Increase (decrease) in accounts payable	(94,047)	145,745
Increase (decrease) in accrued expenses	20,600	129,407
	<u> </u>	<u> </u>
Net cash provided by operating and non-operating activities	<u>\$ 3,821,440</u>	<u>\$ 3,133,214</u>

Wyandot Memorial Hospital

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Organization and Summary of Significant Accounting Policies

Organization – Wyandot Memorial Hospital (the Hospital) is an acute care hospital organized in 1950 by residents of Salem, Pitt, Crane and Mifflin Townships. The Hospital is located in Upper Sandusky, Ohio, and is operated by a Joint Township Hospital Board of Directors made up of twelve members. This Board elects one member for the Board of Governors from each township and three members are elected at large from the district, of which one should be a doctor of medicine. The Board of Governors consists of a total of seven members who oversee the daily operations of the Hospital.

Basis of Presentation – The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. The Hospital now follows the “business-type” activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the Hospital's financial activities. There was no impact to the net assets of the Hospital in adopting GASB No. 34. No component units are required to be reported in the Hospital's financial statements. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to the extent that they do not contradict or conflict with GASB pronouncements. The Hospital has elected not to apply FASB statements issued after November 30, 1989.

Cash and Cash Equivalents – Cash and cash equivalents are defined as short-term, highly liquid investments purchased with initial maturities of three months or less. Cash and cash equivalents included in assets limited as to use are considered cash and cash equivalents for purposes of the statements of cash flows.

Investments – Investments consist of certificates of deposit.

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

Assets Limited as to Use – Assets limited as to use consist of invested funds designated by the Hospital's Board of Governors for the replacement, improvement, and expansion of the Hospital's facilities, and invested funds designated by the Joint Township Board of Directors restricted in connection with the Hospital's general obligation bonds. Assets limited as to use also include funds whose use is specified by the donor, as well as permanently restricted endowments, the earnings of which can be used for certain purposes as specified by the donor.

Wyandot Memorial Hospital

Notes to Financial Statements December 31, 2003 and 2002

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

Capital Assets – Capital assets are recorded at cost, or if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life and is computed principally on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Cost of maintenance and repairs are charged to expense when incurred.

Unamortized Bond Issuance Costs – Costs incurred in obtaining long-term bond financing are being amortized over the term of the obligations using the straight-line method. Amortization expense totaled \$5,723 in both 2003 and 2002.

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 a 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 8 hours in one day, or 80 hours in one pay period, at the rate of time and one-half. Compensatory time may be accumulated up to a maximum of 80 hours.

Classification of Net Assets – Net assets of the Hospital are classified in four components. *Net assets invested in capital assets - net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

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

Restricted Resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Net Patient Service Revenue - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others. Retroactive adjustments to these estimated amounts are recorded in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

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

Pension Plan - Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees Retirement System (OPERS). The Hospital funds pension costs accrued, based on contribution rates determined by OPERS.

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

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support.

Investment Income - Investment income on unrestricted and restricted funds are recorded as non-operating gains when received.

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

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

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 2 – Deposits and Investments

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

<u>2003</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Assets Limited as to Use</u>
Deposits	\$ 3,696,968	\$ -	\$ 869,246
Certificates of Deposit	<u>-</u>	<u>12,991,291</u>	<u>1,226,488</u>
Total	<u>\$ 3,696,968</u>	<u>\$ 12,991,291</u>	<u>\$ 2,095,734</u>
<u>2002</u>			
Deposits	\$ 3,406,626	\$ -	\$ 1,041,802
Certificates of Deposit	<u>-</u>	<u>9,825,822</u>	<u>1,182,611</u>
Total	<u>\$ 3,406,626</u>	<u>\$ 9,825,822</u>	<u>\$ 2,224,413</u>

<u>Deposits</u>	<u>2003</u>	<u>2002</u>
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit)	\$ 18,989,896	\$ 15,654,148
Amount of deposits covered by federal depository insurance	<u>500,000</u>	<u>400,000</u>
Amount of deposits uninsured	<u>\$ 18,489,896</u>	<u>\$ 15,254,148</u>

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 2 – Deposits and Investments (Cont.)

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

	Year Ended December 31	
	2003	2002
Held by Trustee, under Bond Indenture agreements - money market accounts	\$ 625,758	\$ 800,061
By Board, for capital improvements		
Cash	25,736	25,632
Certificates of deposit	1,209,765	1,167,610
Money market accounts	<u>202,823</u>	<u>201,360</u>
Total	1,438,324	1,394,602
By Donor, for capital improvements and other purposes	16,652	14,750
Principal of permanent endowment	<u>15,000</u>	<u>15,000</u>
Total	<u>\$ 2,095,734</u>	<u>\$ 2,224,413</u>

Note 3 – Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2003	2002
Total patient accounts receivable	\$ 4,824,422	\$ 6,838,182
Less allowance for:		
Uncollectible accounts	(450,000)	(779,000)
Contractual adjustments	<u>(1,555,000)</u>	<u>(2,327,000)</u>
Net patient accounts receivable	<u>\$ 2,819,422</u>	<u>\$ 3,732,182</u>

Note 4 – Cost Report Settlements

Approximately 52 percent of the Hospital's gross revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with third-party payors follows.

Medicare - Inpatient, acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Some outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. Other outpatient services, including ambulatory surgery, radiology and laboratory services, are reimbursed on an established fee-for-service methodology. Beginning August 1, 2000, reimbursement for all outpatient services is based on a prospectively determined ambulatory payment classification system. However, the Hospital was held harmless under this new pay schedule until July 31, 2003. The Medicare Modernization Act of 2003 extended these provisions through January 1, 2006.

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

The Medicaid payment system is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	2002	Additions	Retirements	2003	Depreciable Life- Years
Land and land improvements	\$ 193,432	\$ 23,046	\$ -	\$ 216,478	
Buildings and building improvements	7,465,492	7,559	-	7,473,051	15-40
Building service equipment	777,934	-	-	777,934	5-20
Major movable equipment	6,326,043	789,790	-	7,115,833	3-25
Major movable equipment - capital leases	613,326	-	-	613,326	5
Total	15,376,227	820,395	-	16,196,622	
Less accumulated depreciation					
Land and land improvements	135,702	5,586	-	141,288	
Buildings and building improvements	3,501,130	269,914	-	3,771,044	
Building service equipment	683,892	13,611	-	697,503	
Major movable equipment	3,955,444	694,539	-	4,649,983	
Major movable equipment - capital leases	372,363	168,666	-	541,029	
Total	8,648,531	1,152,316	-	9,800,847	
Capital Assets - net	<u>\$ 6,727,696</u>	<u>\$ (331,921)</u>	<u>\$ -</u>	<u>\$ 6,395,775</u>	

Depreciation expense totaled \$1,152,316 and \$1,113,725 in 2003 and 2002, respectively.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 6 – Long-Term Debt

Debt outstanding at December 31, 2003 and 2002, consists of general obligation bonds for building construction issues. General obligation bonds are direct obligations of the Joint Township Board of Trustees for which its full-faith, credit and resources are pledged and are payable from taxes levied on all property in the Crane, Mifflin, Pitt and Salem Townships. General obligation bonds of \$2,200,000 were issued in January 1991 in connection with the building expansion and renovation project. Such bonds bear interest at 6.6 and 6.5 percent in 2003 and 2002, respectively, with annual principal payments of \$145,000 due through December 1, 2006.

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

Long-term debt activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Lease obligations	\$ 206,434	\$ -	\$ (125,973)	\$ 80,461	\$ 80,461
Bonds payable - 1990 issue	580,000	-	(145,000)	435,000	145,000
Total leases and bonds payable	<u>\$ 786,434</u>	<u>\$ -</u>	<u>\$ (270,973)</u>	<u>\$ 515,461</u>	<u>\$ 225,461</u>

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 6 – Long-Term Debt (Cont.)

The following is a schedule by years of bond principal and interest, and future minimum lease payments as of December 31, 2003:

<u>Year</u>	<u>Bonds Payable</u>	<u>Bond Interest</u>	<u>Lease Obligations</u>
2004	\$ 145,000	29,290	81,213
2005	145,000	19,575	-
2006	<u>145,000</u>	<u>9,788</u>	<u>-</u>
Total payments	<u>\$ 435,000</u>	<u>\$ 58,653</u>	81,213
Less amount representing interest			<u>752</u>
Total			<u>\$ 80,461</u>

The cost of equipment of under capital lease is as follows:

	<u>2003</u>	<u>2002</u>
Cost of equipment under capital lease	\$ 613,326	\$ 613,326
Less accumulated amortization	<u>541,029</u>	<u>372,363</u>
Net carrying amount	<u>\$ 72,297</u>	<u>\$ 240,963</u>

Note 7 – Accrued expenses

The details of accrued expenses at December 31, 2003 and 2002, are as follows:

	<u>2003</u>	<u>2002</u>
Payroll and related liabilities	\$ 277,310	\$ 279,228
Compensated absences	417,250	376,628
Pension	119,477	176,701
Workers compensation premiums	<u>81,072</u>	<u>41,952</u>
Net carrying amount	<u>\$ 895,109</u>	<u>\$ 874,509</u>

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

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 8 – Net Patient Service Revenue

Net patient service revenue consists of the following:

Revenue	2003	2002
Inpatient services:		
Routine services	\$ 2,006,641	\$ 2,388,524
Ancillary services	7,424,392	8,048,738
Outpatient ancillary services	<u>22,502,005</u>	<u>19,168,341</u>
Total patient revenue	31,933,038	29,605,603
Revenue deductions		
Provision for contractual allowances	12,241,889	11,201,502
Provision for charity care	<u>381,459</u>	<u>260,906</u>
Total revenue deductions	<u>12,623,348</u>	<u>11,462,408</u>
Total net patient service revenue	<u>\$ 19,309,690</u>	<u>\$ 18,143,195</u>

Note 9 – Deferred Compensation Plan

All full-time employees of the Hospital may participate in a deferred compensation plan created by the State of Ohio under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

Note 10 – Defined Benefit Pension Plan

Plan Description - The Hospital contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and death benefits, annual cost of living adjustments, and post-retirement healthcare benefits to qualifying members of both the Traditional and the Combined Plans; however, healthcare benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO), and are actuarially determined. The 2003 member contribution rate for members of local government units was 8.50 percent of their annual covered salary. The 2003 employer contribution rate for local government units was 13.55% percent of covered payroll. The Hospital's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001, were \$921,563, \$860,466, and \$768,500, respectively. Required employer contributions for all plans are equal to 100% of employer charges and must be extracted from the employer's records.

Post-Retirement Benefits – In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-Employment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 and 2002 employer contribution rate for local government employer units was 13.55 percent of covered payroll. Of this amount, 5.0 percent was the portion that was used to fund health care during 2003 and 2002, respectively. The portion of the employer's contribution used to fund post-employment benefits for 2003 and 2002 was \$340,047 and \$317,358, respectively.

Note 10 – Defined Benefit Pension Plan (Cont.)

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

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. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment return assumption rate for 2002 was 8.00%. An annual increase of 4.00 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 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually. These assumptions and calculations are based on the System's latest Actuarial Review performed as of December 31, 2002.

The number of active contributing participants in the Traditional and Combined Plans during 2003 was 364,881. As of December 31, 2002, the actuarial value of the Retirement System's net assets available for OPEB was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

Health Care Plan – In December 2002, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choice Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit.

The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

Wyandot Memorial Hospital

Notes To Financial Statements December 31, 2003 and 2002

Note 10 – Defined Benefit Pension Plan (Cont.)

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending “Choices” type cost cutting measures to all active members and benefit recipients. As of December 31, 2003, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

Note 11 – Risk Management

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

The Hospital is insured against medical malpractice claims under an occurrence-based policy, whereby claims are covered if the Hospital was insured during the year that the incident occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in a policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage.

While there is pending litigation against the Hospital, management is not aware of any such medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Hospital’s cost for such claims for the year, and it has been charged to operations as current expense. There have been no claims settled in the last five years that have exceeded insured limits.

Note 12 – Wyandot Health Foundation and Wyandot Health Corporation (Related Parties)

Wyandot Health Foundation, Inc. (the Foundation), was established on June 10, 1985, per authority of the Ohio Revised Code. The Foundation is a nonprofit entity operated for the benefit of Wyandot Memorial Hospital. The Foundation donated cash and equipment on behalf of the Hospital totaling \$7,993 and \$17,696 for the years ended December 31, 2003 and 2002, respectively, which was recorded by the Hospital as unrestricted gifts. The accompanying financial statements do not include the assets, obligations, revenues or expenses of the Foundation.

Additional Information



Plante & Moran, PLLC
110 E. Main St.
P.O. Box 765
Lancaster, OH 43130-0765
Tel: 740.653.7144
Fax: 740.653.2947
plantemoran.com

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

We have audited the financial statements of Wyandot Memorial Hospital for the years ended December 31, 2003 and 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of gross patient service revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

April 1, 2004

Wyandot Memorial Hospital

Supplemental Schedule of Gross Patient Service Revenues December 31, 2003

Department	2003 Patient Service Revenue			2002 Total
	In-Patient	Out-Patient	Total	
Laboratory and Pathology	\$ 842,833	\$ 3,557,335	\$ 4,400,168	\$ 4,219,440
Radiology	343,743	2,397,901	2,741,644	2,403,124
Materials Management	913,243	1,261,041	2,174,284	2,233,033
Pharmacy	1,586,757	1,922,967	3,509,724	4,096,538
Operating Room	660,997	871,764	1,532,761	1,562,428
Medical and Surgical	1,409,311	244,633	1,653,944	1,960,828
Respiratory Therapy	1,119,557	502,593	1,622,150	1,354,009
Physician Services Revenue	-	1,146,518	1,146,518	1,089,218
Emergency Room	215,599	1,347,528	1,563,127	1,321,370
EKG	404,353	1,808,241	2,212,594	1,393,704
Emergency Room Physician Fees	90,399	996,567	1,086,966	1,027,856
Coronary Care Unit	339,361	56,005	395,366	427,301
Nuclear Medicine	88,328	1,542,008	1,630,336	1,213,420
Physical Therapy	86,178	774,671	860,849	929,588
CT Scan	425,874	1,512,802	1,938,676	1,279,675
Cardiac Rehabilitation	2,880	323,792	326,672	309,262
MRI	39,165	682,978	722,143	484,590
Anesthesia and CRNA	61,483	135,665	197,148	197,546
Outpatient Clinic	75,575	937,642	1,013,217	786,039
Obstetrical	152,576	-	152,576	149,779
Delivery Room	123,814	55,311	179,125	150,574
Nursery	104,251	-	104,251	102,255
Blood Administration	174,159	70,736	244,895	199,421
EEG	166,541	39,484	206,025	418,983
Durable Medical Equipment	-	313,823	313,823	287,462
Other	4,056	-	4,056	8,160
	\$ 9,431,033	\$ 22,502,005	31,933,038	29,605,603
Less amounts considered charity care			(381,459)	(260,906)
Total			\$ 31,551,579	\$ 29,344,697

Wyandot Memorial Hospital

Supplemental Schedule of Operating Expenses December 31, 2003

Department	2003 Expenses			2002 Total
	Salaries and Wages	Other Expenses	Total	
Administrative and General	\$ 836,217	\$ 4,017,412	\$ 4,853,629	\$ 4,443,934
Laboratory and Pathology	431,425	841,583	1,273,008	1,144,789
Emergency Room	372,238	1,079,621	1,451,859	1,269,051
Physician Services	1,098,173	436,796	1,534,969	1,461,248
Operating Room	335,875	721,439	1,057,314	1,108,815
Medical and Surgical	875,719	278,016	1,153,735	1,093,614
Radiology	435,280	290,894	726,174	624,291
Pharmacy	189,878	690,482	880,360	836,357
Dietary	241,006	219,503	460,509	461,906
Nuclear Medicine/MRI	72,114	386,556	458,670	390,322
Plant	125,325	308,946	434,271	406,785
Coronary Care Unit	246,531	59,877	306,408	302,660
Respiratory Therapy	175,144	81,964	257,108	256,222
Physical Therapy	-	222,801	222,801	238,737
Housekeeping	173,482	37,389	210,871	206,918
EKG	138,725	176,514	315,239	219,347
CT Scan	34,783	101,695	136,478	77,899
Medical Records	198,478	68,044	266,522	233,522
Nursing Administration	124,774	34,617	159,391	157,935
Cardiac Rehabilitation	141,838	57,253	199,091	166,552
Outpatient Clinic	232,553	94,752	327,305	320,055
Obstetrical	106,985	85,901	192,886	167,682
Anesthesia and CRNA	-	60,000	60,000	56,708
Materials Management	73,259	29,587	102,846	92,153
Nursery	149,628	36,813	186,441	150,632
Linen	15,826	73,108	88,934	83,397
Labor and Delivery	28,369	12,578	40,947	34,991
Biomedical Engineering	44,353	14,109	58,462	48,367
Blood Administration	-	104,629	104,629	64,428
Social Services	20,496	3,244	23,740	23,249
Industrial Physicals	81,475	94,981	176,456	126,474
EEG	6,202	92,702	98,904	98,370
DME Services	93,221	113,676	206,897	160,872
Prenatal Education	-	-	-	1,448
Total	\$ 7,099,372	\$ 10,927,482	\$ 18,026,854	\$ 16,529,730

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

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

We have audited the financial statements of Wyandot Memorial Hospital as of and for the year ended December 31, 2003, and have issued our report thereon dated April 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wyandot Memorial Hospital financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards*. These three instances of noncompliance were also reported to management in a report under separate cover dated April 1, 2004.

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

Criteria - During our testing of Ohio Compliance Supplement, Chapter 7, Part 2, Section A: General, (7-8, 7-11, 7-12 compliance requirements) we noted the above conditions. These compliance sections relate to Ohio Revised Code sections 117.38, 121.22, and 149.43.

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

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

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wyandot Memorial Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses; however, a report was issued to management under separate cover regarding internal control issues and other operational efficiencies which we did not consider to be material weaknesses.

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

Plante & Moran, PLLC

April 1, 2004





**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WYANDOT MEMORIAL HOSPITAL

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2004**