

# **FAYETTE COUNTY MEMORIAL HOSPITAL**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Fayette County Memorial Hospital  
1430 Columbus Avenue  
Washington Court House, Ohio 43160

We have reviewed the *Report of Independent Auditors* of the Fayette County Memorial Hospital, prepared by Blue & Co., LLC, for the audit period January 1, 2005 through December 31, 2005. 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 Fayette County Memorial Hospital is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 7, 2006

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# FAYETTE COUNTY MEMORIAL HOSPITAL

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
FAYETTE COUNTY MEMORIAL HOSPITAL  
Washington Court House, Ohio

We have audited the accompanying balance sheets of Fayette County Memorial Hospital (a component unit of Fayette County, Ohio), as of December 31, 2005 and 2004, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of Fayette County Memorial Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Fayette County, Ohio that is attributable to the transactions of Fayette County Memorial Hospital. They do not purport to, and do not, present fairly the financial position of Fayette County, Ohio, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayette County Memorial Hospital at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, do not express an opinion thereon.

Blue & Co., LLC

March 17, 2006



# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

The discussion and analysis of Fayette County Memorial Hospital's (the Hospital) financial statements provides an overview of the Hospital's financial activities for the year ended December 31, 2005. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with the discussion and analysis.

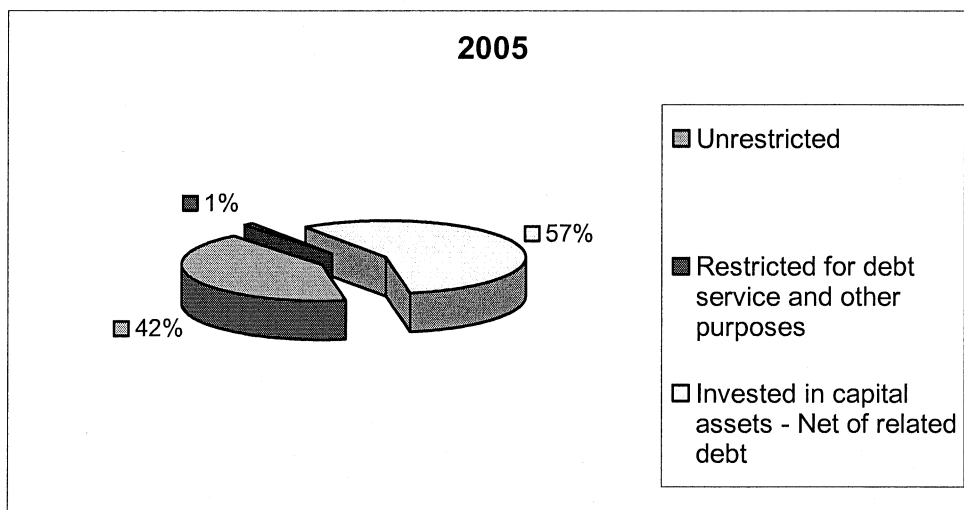
## Using this Annual Report

The Hospital's financial statements consist of the three statements – Balance Sheet, a Statement of Operations 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

Cash and investments increased approximately \$840,000 while accounts payable and other accruals increased approximately \$1,000,000. In total, the Hospital's expenses exceeded revenues and other support, creating a decrease in net assets of \$1,292,087 (compared to a deficit of \$1,786,207 in the previous year).

The following chart provides a breakdown of net assets by category for the year ended December 31, 2005:



# **FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **The Balance Sheet and the Statement of Operations 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 Operations 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 Hospital's net assets – the difference between assets and liabilities – as a way to measure the Hospital's financial health, or financial position. Over time, an increase or decrease in the Hospital's net assets are indicators 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 in to account regardless of when cash is received or paid.

# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## Condensed Financial Information

The following is a comparative analysis of the major components of the Balance Sheet of the Hospital as of December 31, 2005 and 2004:

### Assets, Liabilities and Net Assets

	December 31		Change	
	2005	2004	Amount	Percent
Current assets	\$ 7,253,528	\$ 6,508,651	\$ 744,877	11.4%
Noncurrent assets	2,573,510	3,156,607	(583,097)	-18.5%
Capital assets	13,190,123	13,277,058	(86,935)	-0.7%
<b>Total assets</b>	<b>\$ 23,017,161</b>	<b>\$ 22,942,316</b>	<b>\$ 74,845</b>	<b>0.3%</b>
Current liabilities	\$ 3,659,653	\$ 2,376,313	\$ 1,283,340	54.0%
Long-term debt	4,355,311	4,271,719	83,592	2.0%
<b>Total liabilities</b>	<b>\$ 8,014,964</b>	<b>\$ 6,648,032</b>	<b>\$ 1,366,932</b>	<b>20.6%</b>
Net assets				
Invested in capital assets, net of debt	\$ 8,608,334	\$ 8,763,377	\$ (155,043)	-1.8%
Restricted	214,012	405,601	(191,589)	-47.2%
Unrestricted	6,179,851	7,125,306	(945,455)	-13.3%
<b>Total net assets</b>	<b>\$ 15,002,197</b>	<b>\$ 16,294,284</b>	<b>\$ (1,292,087)</b>	<b>-7.9%</b>

The primary changes in the assets, liabilities and net assets relates to the increase in cash and an increase in payables and accruals and the loss from operations of \$1,382,309 during 2005.

# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## Operating Results and Changes in Net Assets

	Year Ended		Change	
	2005	2004	Amount	Percent
<b>Operating revenues</b>				
Net patient service revenues	\$ 26,102,069	\$ 25,146,962	\$ 955,107	3.8%
Other	(13,546)	68,588	(82,134)	-119.7%
<b>Total operating revenues</b>	<b>26,088,523</b>	<b>25,215,550</b>	<b>872,973</b>	<b>3.5%</b>
<b>Operating expenses</b>				
Salaries and wages	10,711,215	10,578,232	132,983	1.3%
Benefits	3,740,984	3,803,657	(62,673)	-1.6%
Physicians fees	1,646,839	1,666,191	(19,352)	-1.2%
Other fees	2,847,100	3,096,998	(249,898)	-8.1%
Supplies	4,188,548	4,122,035	66,513	1.6%
Depreciation and amortization	1,394,882	1,391,852	3,030	0.2%
Other expenses	2,941,264	2,533,918	407,346	16.1%
<b>Total operating expenses</b>	<b>27,470,832</b>	<b>27,192,883</b>	<b>277,949</b>	<b>1.0%</b>
<b>Income (loss) from operations</b>	<b>(1,382,309)</b>	<b>(1,977,333)</b>	<b>595,024</b>	<b>-30.1%</b>
<b>Non-operating gains - net</b>	<b>90,222</b>	<b>191,126</b>	<b>(100,904)</b>	<b>-52.8%</b>
<b>Change in net assets</b>	<b>(1,292,087)</b>	<b>(1,786,207)</b>	<b>494,120</b>	<b>-27.7%</b>
<b>Net assets - beginning of year</b>	<b>16,294,284</b>	<b>18,080,491</b>		
<b>Net assets - end of year</b>	<b>\$ 15,002,197</b>	<b>\$ 16,294,284</b>		

## Operating Revenues

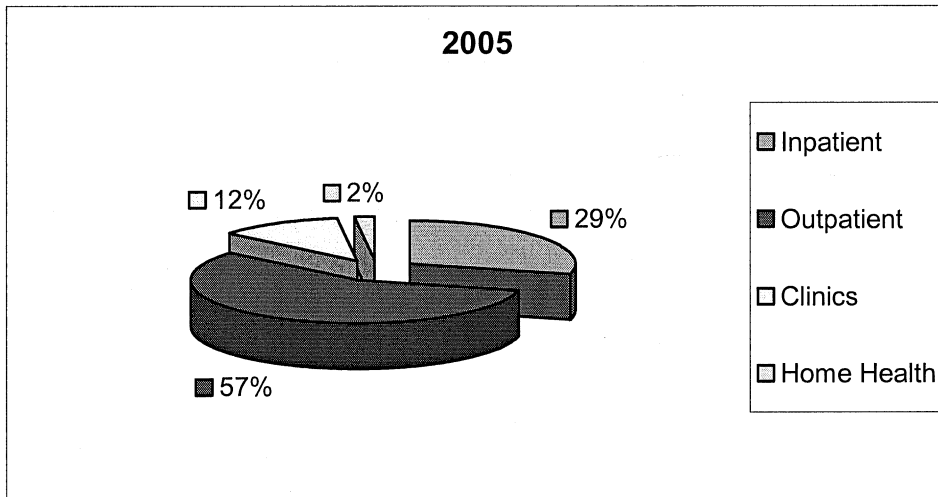
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician's offices, and the cafeteria. In addition, certain federal, state, and private grants are considered operating if they are not for capital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

# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 3.8 percent. Gross inpatient revenue increased approximately \$1,208,000 or 9% in 2005. Gross outpatient revenue increased approximately \$5,810,000 or 18% percent in 2005. 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, UHC, Medical Mutual, and various other commercial payors. These revenue deductions increased from 39 to 43 percent as a percentage of gross revenue. In addition, 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. Charity care provided during 2005 amounted to \$1,083,659 or a 42% percent increase from 2004.

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



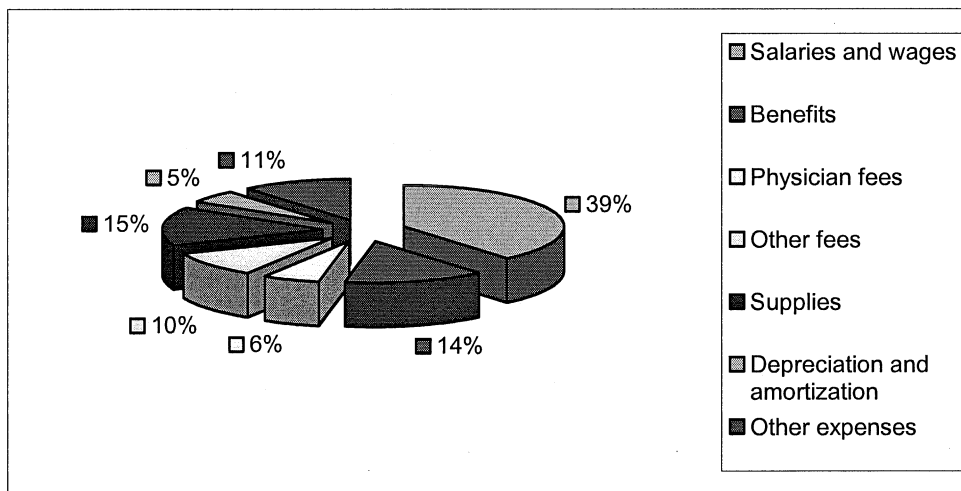
# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## Operating Expenses

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

- Salary costs increased 1.3%.
- Benefit costs declined 1.6%.
- Other expenses increased 16.1% due to physician recruitment activities in 2005.

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



## Non-Operating Gains - net

Non-operating gains and losses are all sources and uses that are primarily non-exchange in nature. They would consist primarily of income from the operations of the medical office building (rents), investment income (including realized and unrealized gains and losses), grants and contracts and interest expense that do not require any services to be performed.

# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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 need for external financing

	2005	2004	Increase (Decrease)
<b>Cash from</b>			
Operating activities	\$ 1,634,932	\$ (1,269,334)	\$ 2,904,266
Capital and related financing activities	(1,502,223)	(963,277)	(538,946)
Noncapital and related financing activities	234,833	271,602	(36,769)
Investing activities	416,207	1,170,116	(753,909)
Net change in cash	783,749	(790,893)	1,574,642
<b>Cash - Beginning of year</b>	1,260,813	2,051,706	
<b>Cash - End of year</b>	\$ 2,044,562	\$ 1,260,813	

The Hospital's liquidity increased in 2005 by approximately \$780,000 in 2005. The following discussion amplifies the overview of cash flows presented above.

Cash provided by operating activities decreased largely due to the decrease in patient accounts receivable and an increase in accounts payable.

Capital purchases decreased \$680,000 in 2005.

Investing activities generated cash of \$414,000.

# FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

## Capital Assets and Debt Administration

### Capital Assets

At December 31, 2005, the Hospital had \$26.9 million invested in capital assets, with an accumulated depreciation of \$13.7 million. Depreciation and amortization totaled \$1.4 million for the current year compared to \$1.4 million last year. Details of these assets for the past two years are shown below:

	2005	2004	Increase (Decrease)
Land	\$ 519,750	\$ 519,750	\$ -
Land improvements	624,690	618,690	6,000
Buildings	14,600,667	14,022,678	577,989
Fixed equipment	1,744,575	1,628,557	116,018
Major movable equipment	9,393,189	8,686,800	706,389
Construction in progress	-	122,046	(122,046)
<b>Total</b>	<b>\$ 26,882,871</b>	<b>\$ 25,598,521</b>	<b>\$ 1,284,350</b>

### Debt

At year-end, the Hospital had \$4,581,789 in debt outstanding, as compared to \$4,513,681 in 2004. The table below summarizes these amounts by type of debt instrument:

	2005	2004	Increase (Decrease)
Notes payable	\$ 4,255,000	\$ 4,400,000	\$ (145,000)
Lease obligations	326,789	113,681	213,108
<b>Total notes and leases</b>	<b>\$ 4,581,789</b>	<b>\$ 4,513,681</b>	<b>\$ 68,108</b>

More detailed information about the Hospital's long-term liabilities is presented in the footnotes to the financial statements.



# **FAYETTE COUNTY MEMORIAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Economic Factors That Will Affect the Future**

As a small rural hospital, the economic position of Fayette County Memorial Hospital is closely tied to its ability to grow revenue while attempting to hold down costs. The upward pressure on wages is expected to continue in 2006. In an effort to grow the revenue base, the Hospital is incurring significant expenses in an effort to recruit new physicians to the community. Reimbursement for existing patients is limited by federal and state mandate as well as contracts with third-party insurance companies. The board of trustees approved a 5% increase on charges for 2006 in an effort to maximize reimbursement under our current managed care contracts. Additionally in December 2005, the Hospital received approval as a Critical Access Hospital. This status provides for cost-based reimbursement for Medicare services.

The Hospital's current financial and capital plans indicate that the expenditures for the second medical office building and on-going physician recruitment will result in the infusion of additional financial resources that will enable it to maintain its present level of service to the community.

## **Contacting the Hospital's Management**

This financial report is intended to provide the people of Fayette County, the state and federal governments, and our debt holders with a general overview of the Hospital's finances, and to show the Hospital's accountability for the money it receives from the services it provides. If you have questions about this report or need additional information, we welcome you to contact us.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## BALANCE SHEETS DECEMBER 31, 2005 AND 2004

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### ASSETS

	<u>2005</u>	<u>2004</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,830,550	\$ 855,212
Patient accounts receivable, net of uncollectible accounts of \$1,255,000 in 2005 and \$1,172,000 in 2004	4,419,440	4,781,003
Current portion of notes receivable	533,730	440,656
Inventories	307,311	300,437
Prepaid expenses and other current assets	162,497	131,343
Total current assets	<u>7,253,528</u>	<u>6,508,651</u>
<b>Other assets</b>		
Notes receivable	260,745	710,256
Investments	2,098,753	2,040,750
Assets limited as to use	214,012	405,601
Capital assets	13,190,123	13,277,058
Total other assets	<u>15,763,633</u>	<u>16,433,665</u>
 Total assets	 <u>\$ 23,017,161</u>	 <u>\$ 22,942,316</u>

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See accompanying notes to financial statements.

# FAYETTE COUNTY MEMORIAL HOSPITAL

BALANCE SHEETS  
DECEMBER 31, 2005 AND 2004

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## LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 226,478	\$ 241,962
Accounts payable	1,774,138	900,735
Accrued payroll and related benefits	1,378,998	1,233,616
Estimated third-party settlements	280,039	-
Total current liabilities	<u>3,659,653</u>	<u>2,376,313</u>
<b>Long-term debt</b>	<u>4,355,311</u>	<u>4,271,719</u>
Total liabilities	8,014,964	6,648,032
<b>Net assets</b>		
Invested in capital assets - net of related debt	8,608,334	8,763,377
Restricted		
Expendable for debt service and other purposes	214,012	405,601
Unrestricted	<u>6,179,851</u>	<u>7,125,306</u>
Total net assets	<u>15,002,197</u>	<u>16,294,284</u>
Total liabilities and net assets	<u>\$ 23,017,161</u>	<u>\$ 22,942,316</u>

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See accompanying notes to financial statements.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<b>Operating revenue</b>		
Net patient service revenue	\$ 26,102,069	\$ 25,146,962
Other operating revenue	(13,546)	68,588
	26,088,523	25,215,550
<b>Operating expenses</b>		
Salaries and wages	10,711,215	10,578,232
Employee benefits	3,740,984	3,803,657
Physician fees	1,646,839	1,666,191
Other fees	2,847,100	3,096,998
Supplies	4,188,548	4,122,035
Utilities	597,950	547,654
Maintenance and repairs	783,322	800,379
Leases and rentals	120,810	113,782
Insurance	265,826	358,366
Depreciation and amortization	1,394,882	1,391,852
Other expenses	1,173,356	713,737
Total operating expenses	27,470,832	27,192,883
Loss from operations	(1,382,309)	(1,977,333)
Non-operating gains - net	90,222	191,126
Change in net assets	(1,292,087)	(1,786,207)
<b>Net assets, beginning of year</b>	16,294,284	18,080,491
<b>Net assets, end of year</b>	\$ 15,002,197	\$ 16,294,284

*See accompanying notes to financial statements.*

# FAYETTE COUNTY MEMORIAL HOSPITAL

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<b>Operating activities</b>		
Cash received for patients and third party payors	\$ 26,743,671	\$ 25,127,146
Cash payments to suppliers for services and goods	(14,306,817)	(12,231,236)
Cash payments to employees for services	(10,788,376)	(14,233,832)
Other operating revenue received	(13,546)	68,588
Net cash flow from operating activities	1,634,932	(1,269,334)
<b>Non-capital and related financing activities</b>		
Donations and other	234,833	271,602
<b>Capital and related financing activities</b>		
Acquisition and construction of capital assets	(974,163)	(1,652,995)
Interest expense	(260,460)	(177,203)
Proceeds from issuance of long-term debt	-	1,000,000
Principal payments on long-term debt	(267,600)	(133,079)
Net cash from capital and related financing activities	(1,502,223)	(963,277)
<b>Investing activities</b>		
Change in advances to physicians	356,437	(88,324)
Change in investments, net	(41,986)	1,155,140
Interest received on investments	101,756	103,300
Net cash from investing activities	416,207	1,170,116
Net change in cash and cash equivalents	783,749	(790,893)
<b>Cash, beginning of year</b>	1,260,813	2,051,706
<b>Cash, end of year</b>	\$ 2,044,562	\$ 1,260,813
<b>Balance sheet classification of cash</b>		
Current assets	\$ 1,830,550	\$ 855,212
Assets limited as to use	214,012	405,601
Total cash	\$ 2,044,562	\$ 1,260,813
<b>A reconciliation of income from operations to net cash from operating activities</b>		
Loss from operations	\$ (1,382,309)	\$ (1,977,333)
<b>Adjustments to reconcile income (loss) from operations to net cash from operating activities:</b>		
Bad debt expense	3,410,448	2,510,788
Depreciations and amortization	1,394,882	1,391,852
<b>Changes in assets and liabilities</b>		
Patient accounts receivable	(3,048,885)	(2,535,455)
Inventories	(6,874)	(15,063)
Prepaid expenses and other current assets	(31,154)	103,008
Estimated third party settlements	280,039	5,182
Accounts payable	873,403	(900,039)
Accrued payroll and related benefits	145,382	147,726
Net cash from operating activities	\$ 1,634,932	\$ (1,269,334)
Supplemental disclosure of cash flow information:		
Capital assets acquired under capital leases	\$ 335,708	\$ -

See accompanying notes to financial statements.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

Fayette County Memorial Hospital ("the Hospital") is a general short-term acute care facility, owned by Fayette County, Ohio, and operated by a Board of Directors. The Hospital's activity is reflected as an enterprise fund in the Fayette County financial statements. Members of the Board of Directors are appointed by the County Commissioners, the Probate Court Judge, and the Common Pleas Judge. Mount Carmel Health System manages the Hospital. The agreement provides that Mount Carmel Health System will provide a management team to oversee the operations of the Hospital.

#### Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, 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.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and investments in highly liquid investments purchased with a maturity of three months or less.

#### Inventories

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

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### Investments

Investments are carried at fair value.

### Assets limited as to use

Assets limited as to use include funds held for debt repayments and assets temporarily restricted by donor.

### Capital assets

Capital assets are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Costs of maintenance and repairs are charged to expense when incurred.

### 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 vacations days at varying rates depending on years of service, and may carry over to the next year up to 2 times the number of hours eligible to be earned during the year, or up to 120 hours for part-time employees. Employees also earn sick leave benefits at a Hospital-determined rate for all employees. 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-third of the accumulated balance calculated at the employee's base pay rates as of the retirement date. There is no limit on the number of sick leave hours that an employee may accumulate; however, employees are only eligible to receive termination payments on one-third of the accumulated sick leave balance up to a maximum of 400 hours. Employees accumulate holidays at a Hospital determined rate for all employees. Employees may carry over a maximum of five holidays to the next year.

### 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.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 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 note 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.

### 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.

### Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and 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.



# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 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.

### Income taxes

The Hospital is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501 (a) of the Code.

### 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. Charges foregone for charity care totaled \$1,083,659 and \$765,353 for 2005 and 2004, respectively.

### 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, based on contribution rates determined by OPERS.

### Use of estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

### 2. DEPOSITS AND INVESTMENTS

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

2005	Cash and Cash Equivalents	Investments	Assets Limited to as Use
Deposits	\$ 1,830,550	\$ 79,813	\$ 214,012
Federal Bonds	-	2,018,940	-
Total	<u>\$ 1,830,550</u>	<u>\$ 2,098,753</u>	<u>\$ 214,012</u>

2004	Cash and Cash Equivalents	Investments	Assets Limited to as Use
Deposits	\$ 855,212	\$ 65,539	\$ 405,601
Federal Bonds	-	1,975,211	-
Total	<u>\$ 855,212</u>	<u>\$ 2,040,750</u>	<u>\$ 405,601</u>

Deposits	2005	2004
Amount of deposits reflected on the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit)	\$ 2,180,444	\$ 2,112,439
Amount of deposits covered by federal depository insurance	<u>355,165</u>	<u>450,053</u>
Amounts of deposits uninsured	<u>\$ 1,825,279</u>	<u>\$ 1,662,386</u>

Amounts uninsured are collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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The Hospital had the following investments and maturities, all of which are held in the Hospital's name by custodial banks that are agents of the Hospital:

	Carrying Amount	Maturities	
		> than 1 year	1-5 years
<b>December 31, 2005</b>			
Certificates of deposit	\$ 214,012	\$ 108,850	\$ 105,162
Government obligations	\$ 2,018,940	\$ 799,590	\$ 1,219,350

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – The Hospital's may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposit or savings or deposit accounts, including passbook accounts, in any eligible institution mentioned in Section 135.32; bonds and other obligations of the State of Ohio or the political subdivisions of the state provided that such political subdivisions are located wholly or partly within the same county; and certain no load money market mutual funds; certain commercial paper; and certain repurchase agreements.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 3. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable at December 31, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Total patient accounts receivable	\$ 9,179,836	\$ 8,281,040
Less allowance for:		
Uncollectible accounts	(1,255,352)	(1,172,321)
Contractual adjustments	<u>(3,505,044)</u>	<u>(2,327,716)</u>
Net patient accounts receivable	<u>\$ 4,419,440</u>	<u>\$ 4,781,003</u>

### 4. NOTES RECEIVABLE

Notes receivable represent loans to physicians under various cash flow support and loan arrangements. These loans are to be repaid in varying monthly installments including interests at rates ranging from 0 percent to 6.5 percent, and are unsecured. A portion of the physicians notes receivable are forgiven over time under the terms of the physician loan agreement

### 5. RESTRICTED FUNDS

Restricted funds are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Community health services	\$ 214,012	\$ 214,012
Debt service	-	191,589
	<u>\$ 214,012</u>	<u>\$ 405,601</u>

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 6. ESTIMATED THIRD PARTY SETTLEMENTS

Approximately 57 percent of the Hospital's 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 these 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. Reimbursement for all outpatient services are based on the prospectively determined ambulatory payment classification system. Effective December 2005 the Hospital was designated as a Critical Access Hospital. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services. Medicare cost reports are final settled through 2003.

#### 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 in Ohio is prospective, 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 change in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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. Medicaid cost reports have been final settled through 1999.

### 7. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005 and 2004 follows:

	2004	Additions	Retirements	2005	Depreciable Life - Years
Land	\$ 519,750	\$ -	\$ -	\$ 519,750	
Land improvements	618,690	6,000	-	624,690	10-20
Buildings	14,022,678	577,989	-	14,600,667	15-50
Fixed equipment	1,628,557	116,018	-	1,744,575	5-20
Major movable equipment	8,686,800	731,910	(25,521)	9,393,189	5-25
Construction in progress	122,046	(122,046)	-	-	
<b>Total</b>	<b>25,598,521</b>	<b>1,309,871</b>	<b>(25,521)</b>	<b>26,882,871</b>	
Less accumulated depreciation					
Land improvements	458,405	17,354	-	475,759	
Buildings	4,715,510	489,151	-	5,204,661	
Fixed equipment	978,302	68,561	-	1,046,863	
Major movable equipment	6,169,246	819,816	(23,597)	6,965,465	
<b>Total</b>	<b>12,321,463</b>	<b>1,394,882</b>	<b>(23,597)</b>	<b>13,692,748</b>	
<b>Net carrying amount</b>	<b>\$ 13,277,058</b>			<b>\$ 13,190,123</b>	

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

	2003	Additions	Retirements	2004	Depreciable Life - Years
Land	\$ 519,750	\$ -	\$ -	\$ 519,750	
Land improvements	618,690	-	-	618,690	10-20
Buildings	9,282,995	4,739,683	-	14,022,678	15-50
Fixed equipment	1,618,812	9,745	-	1,628,557	5-20
Major movable equipment	7,977,491	752,494	(43,185)	8,686,800	5-25
Construction in progress	3,970,973	(3,848,927)	-	122,046	
Total	23,988,711	1,652,995	(43,185)	25,598,521	
Less accumulated depreciation					
Land improvements	434,398	24,007	-	458,405	
Buildings	4,245,087	470,423	-	4,715,510	
Fixed equipment	907,368	70,934	-	978,302	
Major movable equipment	5,381,370	826,488	(38,612)	6,169,246	
Total	10,968,223	1,391,852	(38,612)	12,321,463	
Net carrying amount	\$ 13,020,488			\$ 13,277,058	

## 8. LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2005 and 2004 follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
2005					
Leases and notes payable:					
Lease obligations	\$ 113,681	\$ 335,708	\$ (122,600)	\$ 326,789	\$ 76,478
Notes payable - 2003 series	4,400,000	-	(145,000)	4,255,000	150,000
Total leases and notes payable	\$ 4,513,681	\$ 335,708	\$ (267,600)	\$ 4,581,789	\$ 226,478

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

2004	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Current Portion
Leases and notes payable:					
Lease obligations	\$ 246,760	\$ -	\$ (133,079)	\$ 113,681	\$ 96,962
Notes payable - 2003 series	3,400,000	1,000,000	-	4,400,000	145,000
Total leases and notes payable	\$ 3,646,760	\$ 1,000,000	\$ (133,079)	\$ 4,513,681	\$ 241,962

The County of Fayette, Ohio, acting by and through the Fayette County Memorial Hospital Board of Directors, issued Variable Rate Taxable Demand Revenue Notes, Series 2003 (the notes) to finance the acquisition and construction of a medical office building, along with the financing costs associated therewith and with related transactions (the project).

The Hospital is bound by the terms of the Trust Indenture and Reimbursement Agreement to various operations and financial covenants. These covenants include maintaining a minimum debt service ratio of 1.25 to 1.00, and minimum days cash on hand of 70.

The notes shall be issued in an amount not to exceed \$4,400,000, and shall be available to the Hospital to be drawn upon as principal as needed. The notes will be sold in series as funds are needed for the project. The initial series was issued and drawn in July 2003, in the amount of \$2,400,000. The second series was issued and drawn in October 2003, in the amount of \$1,000,000. The Hospital drew an additional \$1,000,000 in 2004. The series of notes are payable semi-annually with principal payments ranging from \$150,000 to \$270,000, in aggregate, maturing on August 1, 2023. The interest rate on the variable rate notes was 4.6 percent at December 31, 2005. The notes are secured by an irrevocable letter-of-credit with the Trustee bank.



# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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The notes are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the notes based on its best efforts, these notes would be "put" back to the Trustee, who would draw down on the letter-of-credit to pay down the notes. However, Hospital management has assessed any unsuccessful remarketing of the notes to be unlikely. Under the Reimbursement Agreement between the Trustee and the Hospital, the Hospital is obliged to reimburse the Trustee for any draws made on the Letter-of-credit. Interest is applied to letter-of-credit draws at a variable rate based on the current market interest rates. The letter-of-credit expires upon the earliest of June 16, 2008, unless extended, or receipt by the Trustee of payment in full of principal and interest on the notes. In the event of the expiration of the letter-of-credit, all outstanding notes would be subject to mandatory purchase by the Hospital. Additionally, there is a commitment fee with respect to the issuance and maintenance of the letter-of-credit. The Hospital's obligation to the Trustee for draws on the letter-of-credit is secured by a pledge of its gross receipts pursuant to an Assignment and Security Agreement, and a lien on any leases pursuant to an Assignment of Rents and Leases.

As of December 31, 2005, debt service requirements of the variable-rate debt on capital lease obligations for their term were as follows:

Year Ending December 31	<u>Principal</u>	<u>Leases Payable</u>
2006	\$ 150,000	\$ 95,533
2007	160,000	78,815
2008	165,000	78,815
2009	175,000	78,815
2010	185,000	45,975
2011-2014	830,000	-
2015-2019	1,295,000	-
2020-2024	<u>1,295,000</u>	<u>-</u>
Total Payments	<u>\$ 4,255,000</u>	\$ 377,953
Less amount representing interest		<u>51,164</u>
Net present value		<u>\$ 326,789</u>

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

Capital leases have imputed interest rates of 4.48 percent to 5.86 percent. They expire at various times through 2010 and are collateralized by the equipment leased.

	<u>2005</u>	<u>2004</u>
Cost of equipment under capital lease	\$ 977,036	\$ 641,328
Less accumulated amortization	<u>617,779</u>	<u>495,179</u>
Net carrying amount	<u>\$ 359,257</u>	<u>\$ 146,149</u>

### 9. NET PATIENT SERVICE REVENUE

Net patient service revenue consists of the following:

	<u>2005</u>	<u>2004</u>
<b>Revenue</b>		
Inpatient service		
Routine service	\$ 5,446,481	\$ 5,141,913
Ancillary services	9,909,045	9,004,896
Outpatient ancillary services	<u>38,181,349</u>	<u>32,370,995</u>
Total patient revenue	53,536,875	46,517,804
<b>Revenue deductions</b>		
Provision for contractual allowances	22,760,257	17,950,597
Provision for charity care	1,083,659	765,353
Bad debts	3,410,448	2,510,788
Other allowances	<u>180,442</u>	<u>144,104</u>
Total revenue deductions	<u>27,434,806</u>	<u>21,370,842</u>
Total net patient service revenue	<u>\$ 26,102,069</u>	<u>\$ 25,146,962</u>

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 10. NON-OPERATING GAINS

Non-operating gains consist of the following:

	<u>2005</u>	<u>2004</u>
Donations, gifts and grants	\$ 6,060	\$ 104,534
Investment income	101,756	103,698
Interest expense	(260,460)	(177,203)
Other gains	242,866	160,097
	<u>          </u>	<u>          </u>
Non-operating gains - net	<u>\$ 90,222</u>	<u>\$ 191,126</u>

### 11. DEFINED BENEFIT PENSION PLAN

The Hospital contributed to the Ohio Public Employees Retirement System of Ohio, (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan – 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 and disability benefits, annual cost-of-living adjustments, healthcare benefits and death benefits to plan members and beneficiaries. PERS issues a publicly available comprehensive annual financial report, which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-6701 or (800) 222-PERS (7377).

#### Funding Policy

The required, actuarially-determined contribution rates for the Hospital and for employee are 13.55% and 8.5%, respectively. The Hospital's contributions, representing 100% of employer contributions, for the last three years follows:

<u>Year</u>	<u>Contribution</u>
2005	\$ 1,386,436
2004	\$ 1,394,504
2003	\$ 1,283,472

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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PERS also provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of post-retirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2005 and 2004 employer contribution rates of 13.55% used to fund healthcare was 4.0%. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to PERS.

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 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 2004 was 8%. An annual increase of 4% 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% base increase, were assumed to range from .5% to 6.3%. Healthcare costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), healthcare costs were assumed to increase at 4% (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004 actuarial valuation was 355,287.

Hospital contributions made to fund post-employment benefits approximated \$409,000 and \$411,000 for 2005 and 2004, respectively.

The actuarial value of OPERS net assets at December 31, 2004 were \$10.8 million. The actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method was \$29.5 million and \$18.7 million, respectively.

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

# FAYETTE COUNTY MEMORIAL HOSPITAL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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### 12. 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. The policy covers claims resulting from incidents that occurred during the policy terms, regardless of when the claim is reported to the insurance carrier. 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 the 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 a current expense. There have been no claims settled in the last five years that have exceeded insured limits.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Fayette County Memorial Hospital  
Washington Court House, Ohio

We have audited the financial statements of Fayette County Memorial Hospital, as of and for the year ended December 31, 2005, and have issued our report thereon dated March 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fayette County 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud, 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 management of Fayette County Memorial Hospital in a separate letter dated March 17, 2006.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be an should not be used by anyone other than those specified parties.

*Blue & Co., LLC*

March 17, 2006



**Auditor of State  
Betty Montgomery**

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**FAYETTE COUNTY MEMORIAL HOSPITAL  
FAYETTE 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  
JULY 20, 2006**