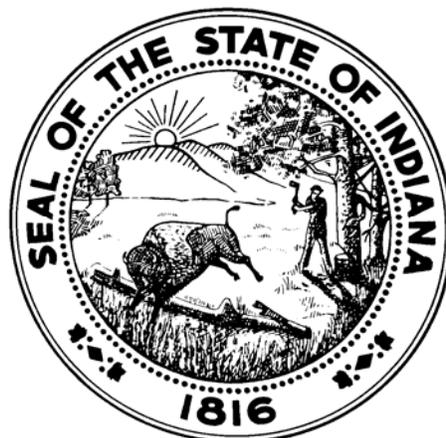


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

ADAMS COUNTY MEMORIAL HOSPITAL
A COMPONENT UNIT OF
ADAMS COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
07/06/2007

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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Marvin L. Baird	01-01-06 to 12-31-07
Treasurer	William G. Seck	01-01-06 to 12-31-07
Chairman of the Hospital Board	John Kintz	01-01-06 to 12-31-07
President of the Board of County Commissioners	Douglas L. Bauman	01-01-06 to 12-31-07



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF ADAMS COUNTY MEMORIAL HOSPITAL, ADAMS COUNTY, INDIANA

We have audited the accompanying basic financial statements of Adams County Memorial Hospital (Hospital), and its aggregate discretely presented component unit as of and for the year ended December 31, 2006, 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital and its aggregate discretely presented component unit as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Hospital has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Hospital. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

June 18, 2007

ADAMS COUNTY MEMORIAL HOSPITAL
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	<u>Primary Government</u>	<u>Discrete Component Unit</u>	<u>Total Reporting Entity</u>
Current assets:			
Cash and cash equivalents	\$ 3,439,119	\$ 22,863	\$ 3,461,982
Patient accounts receivable, net of estimated uncollectibles of \$3,847,559	7,962,604	-	7,962,604
Supplies and other current assets	1,370,008	-	1,370,008
Noncurrent cash and investments:			
Internally designated	4,007,541	-	4,007,541
Held by trustee for debt service	4,801,573	-	4,801,573
Held by trustee for capital acquisitions	5,955	-	5,955
Capital assets:			
Land and construction in progress	823,506	-	823,506
Depreciable capital assets, net of accumulated depreciation	59,190,407	-	59,190,407
Other assets	<u>43,212</u>	<u>72,532</u>	<u>115,744</u>
Total assets	<u>\$ 81,643,925</u>	<u>\$ 95,395</u>	<u>\$ 81,739,320</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities:			
Current maturities of long-term debt	\$ 2,770,114	\$ -	\$ 2,770,114
Accounts payable and accrued expenses	1,951,247	-	1,951,247
Estimated third-party payor settlements	1,466,701	-	1,466,701
Other current liabilities	3,931,876	-	3,931,876
Long-term debt, net of current maturities	49,004,226	-	49,004,226
Other long-term liabilities	<u>1,357,492</u>	<u>-</u>	<u>1,357,492</u>
Total liabilities	<u>60,481,656</u>	<u>-</u>	<u>60,481,656</u>
Net assets:			
Invested in capital assets, net of related debt	8,239,573	-	8,239,573
Restricted:			
For debt service	4,801,573	-	4,801,573
Expendable for capital acquisitions	5,955	-	5,955
Expendable for specific operating activities	32,493	-	32,493
Nonexpendable permanent endowments	146,113	-	146,113
Unrestricted	<u>7,936,562</u>	<u>95,395</u>	<u>8,031,957</u>
Total net assets	<u>21,162,269</u>	<u>95,395</u>	<u>21,257,664</u>
Total liabilities and net assets	<u>\$ 81,643,925</u>	<u>\$ 95,395</u>	<u>\$ 81,739,320</u>

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY MEMORIAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2006

	Primary Government	Discrete Component Unit	Total Reporting Entity
Operating revenues:			
Net patient service revenue (net of provision for bad debt)	\$ 45,115,508	\$ -	\$ 45,115,508
Other	<u>1,261,865</u>	<u>80,500</u>	<u>1,342,365</u>
Total operating revenues	<u>46,377,373</u>	<u>80,500</u>	<u>46,457,873</u>
Operating expenses:			
Salaries and benefits	25,953,877	-	25,953,877
Medical supplies and drugs	4,761,280	-	4,761,280
Insurance	545,391	-	545,391
Other supplies	4,179,806	-	4,179,806
Depreciation and amortization	4,705,471	-	4,705,471
Other	<u>7,470,401</u>	<u>-</u>	<u>7,470,401</u>
Total operating expenses	<u>47,616,226</u>	<u>-</u>	<u>47,616,226</u>
Operating income (loss)	<u>(1,238,853)</u>	<u>80,500</u>	<u>(1,158,353)</u>
Nonoperating revenues (expenses):			
Investment income	381,171	407	381,578
Interest expense	(2,485,944)	-	(2,485,944)
Other	<u>(7,075)</u>	<u>1,926</u>	<u>(5,149)</u>
Total nonoperating revenues (expenses)	<u>(2,111,848)</u>	<u>2,333</u>	<u>(2,109,515)</u>
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions and special and extraordinary items	(3,350,701)	82,833	(3,267,868)
Capital grants and contributions	1,224,705	-	1,224,705
Extraordinary loss on disposal of old hospital	<u>(1,732,201)</u>	<u>-</u>	<u>(1,732,201)</u>
Increase (decrease) in net assets	(3,858,197)	82,833	(3,775,364)
Net assets beginning of the year	<u>25,020,466</u>	<u>12,562</u>	<u>25,033,028</u>
Net assets end of the year	<u>\$ 21,162,269</u>	<u>\$ 95,395</u>	<u>\$ 21,257,664</u>

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY MEMORIAL HOSPITAL
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2006

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 45,670,127
Payments to suppliers and contractors	(15,851,517)
Payments to employees	<u>(25,882,830)</u>
Net cash provided by operating activities	<u>3,935,780</u>
Cash flows from noncapital financing activities:	
Other	<u>2,008</u>
Cash flows from capital and related financing activities:	
Cash paid for disposal of assets	(15,521)
Capital grants and contributions	1,224,705
Principal paid on long-term debt	(1,693,976)
Interest paid on long-term debt	(2,495,611)
Purchase of capital assets	<u>(2,070,481)</u>
related financing activities	<u>(5,050,884)</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>381,171</u>
Net decrease in cash and cash equivalents	(731,925)
Cash and cash equivalents at beginning of year	<u>12,986,113</u>
Cash and cash equivalents at end of year	<u>\$ 12,254,188</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 3,439,119
Restricted cash and cash equivalents	<u>8,815,069</u>
Total cash and cash equivalents	<u>\$ 12,254,188</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,238,853)
Adjustments to reconcile operating loss to net cash flows provided in operating activities:	
Depreciation and amortization	4,705,471
(Increase) decrease in current assets:	
Patient accounts receivable	(698,747)
Supplies and other current assets	226,616
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	(23,845)
Other current liabilities	34,233
Estimated third-party payor settlements	1,081,701
Other liabilities related to operating activities	<u>(150,796)</u>
Net cash provided by operating activities	<u>\$ 3,935,780</u>
Supplemental disclosures of cash flow information:	
payable and accrued expenses	\$ 14,238
Capital assets acquired through leases payable	252,867

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Adams County Memorial Hospital (Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient and outpatient health care.

The Hospital also operates Woodcrest Nursing Home, a 143 bed nursing home; Woodcrest Retirement Community, a continuing care retirement community (CCRC); Evergreen Court, an assisted living community; and Village of Heritage Nursing Home, a 61 bed nursing home. CCRC provides housing and other related services to residents through the operation of a retirement facility containing 42 villas and 48 apartments. The assisted living community consists of 34 apartments.

The Board of County Commissioners of Adams County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between the County and the Hospital. For these reasons, the Hospital is considered a component unit of Adams County.

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component unit discussed below is included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the basic financial statements to emphasize that it is legally separate from the Hospital.

Discretely Presented Component Unit

The Adams County Memorial Hospital Foundation is a significant discretely presented component unit of the Hospital. The primary government appoints a voting majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation.

A separate audit report is not prepared for the individual component unit.

Joint Venture

The Hospital is a participant with Caylor-Nickel Foundation Inc., and Wells Community Health Services Foundation Inc., in a joint venture to operate the Family Hospice of Northeast Indiana, Inc., which was created to provide care for the terminally ill. The Hospital is obligated for the debts of the Family Hospice of Northeast Indiana, Inc. Complete financial statements for the Family Hospice of Northeast Indiana, Inc., can be obtained from the Family Hospice of Northeast Indiana, Inc., 265 West Water Street, Berne, IN 46711.

B. 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.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less.

Short-term investments are investments with remaining maturities of up to 90 days.

Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating revenues in the statement of revenues, expenses, and changes in net assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the financial statements are as follows:

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (Years)
Land improvements	\$ 750	Straight-line	3 to 40
Buildings and improvements	750	Straight-line	5 to 46
Fixed equipment	750	Straight-line	3 to 29
Major moveable equipment	750	Straight-line	3 to 23
Clinics	750	Straight-line	5 to 40

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

4. 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 noncapital 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, discussed in Note II.G.

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.

D. Grants and Contributions

From time to time, the Hospital receives grants from Adams County and the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

E. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Hospital Board of Trustees to authorize the expenditure of the net appreciation of the investments of endowment funds, as discussed in Note II.G.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. 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.

G. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

H. Compensated Absences

1. Sick Leave/No-Fault Days

Hospital employees (other than Village of Heritage Nursing Home employees) earn no-fault days at rates from 3 days to 6 days per year, and earn sick leave at the rate of 6 days per year. After accumulating 9 no-fault days, they become sick days. Sick days can accumulate to an unlimited number of days.

2. Vacation Leave

Hospital employees (other than Village of Heritage Nursing Home employees) earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave cannot be accumulated beyond the annual allowance.

3. Paid Time Off (PTO)

Village of Heritage Nursing Home employees earn PTO at rates from 15 days to 30 days per year based upon the number of years of service. PTO does not accumulate from year to year.

Paid days off are accrued when incurred and reported as a liability.

I. Derivatives

The Hospital entered into interest rate swap agreements to modify interest rates on outstanding variable rate debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Refer to Note II.F.2 for further information.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Detailed Notes

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 16-22-3-15 requires only that money in the hospital funds be deposited in the manner determined by the governing board. The Hospital does not have a formal policy regarding custodial credit risk for deposits. At December 31, 2006, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 16-22-3-20. As of December 31, 2006, the Hospital had the following investments:

Investment Type	Primary Government Market Value	Investment Maturities (in Years) Less Than 1
U.S. Agencies	\$ 890,000	\$ 890,000
Corporate debt instruments	400,000	400,000
Totals	\$ 1,290,000	\$ 1,290,000

Investment Policies

Indiana Code 16-22-3-20 authorizes the Hospital to invest in: 1) any interest-bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 2) repurchase or resale agreements involving the purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in which type of agreement the amount of money must be fully collateralized by interest-bearing obligations as determined by the current market value computed on the day the agreement is effective; 3) mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 4) securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency; or 5) pooled fund investments for participating hospitals offered, managed, and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Hospital does not have a

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

formal policy for custodial credit risk for investments. At December 31, 2006, the Hospital held investments in U.S. Agencies and corporate bonds in the amount of \$1,290,000. Of these investments \$1,290,000 were held by the counterparty.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Moody's Rating	Corporate Bonds	Government Sponsored Enterprise
AAA	Aaa	\$ -	\$ 890,000
Unrated	Unrated	400,000	-
Totals		\$ 400,000	\$ 890,000

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Hospital's investment in a single issuer. The Hospital does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Hospital does not have a formal policy in regards to foreign currency risk.

B. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year end consisted of these amounts:

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Patient Accounts Receivable

Receivable from patients and their insurance carriers	\$ 5,811,365
Receivable from Medicare	3,037,630
Receivable from Medicaid	<u>2,961,168</u>
 Total patient accounts receivable	 11,810,163
 Less allowance for uncollectible amounts	 <u>3,847,559</u>
 Patient accounts receivable, net	 <u>\$ 7,962,604</u>

Accounts Payable and Accrued Expenses

Payable to suppliers	<u>\$ 1,951,247</u>
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C. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 822,316	\$ -	\$ -	\$ 822,316
Construction in progress	<u>-</u>	<u>1,190</u>	<u>-</u>	<u>1,190</u>
 Total capital assets, not being depreciated	 <u>822,316</u>	 <u>1,190</u>	 <u>-</u>	 <u>823,506</u>
Capital assets, being depreciated:				
Land improvements	2,147,932	37,442	218,520	1,966,854
Buildings and improvements	53,314,867	68,483	4,331,262	49,052,088
Fixed equipment	7,799,212	115,177	3,590,355	4,324,034
Major moveable equipment	20,166,429	1,226,010	-	21,392,439
Clinics	<u>4,732,729</u>	<u>-</u>	<u>-</u>	<u>4,732,729</u>
 Totals	 <u>88,161,169</u>	 <u>1,447,112</u>	 <u>8,140,137</u>	 <u>81,468,144</u>
Less accumulated depreciation for:				
Land improvements	660,592	174,059	211,107	623,544
Buildings and improvements	9,881,383	1,968,138	3,138,046	8,711,475
Fixed equipment	3,470,274	213,887	3,365,052	319,109
Major moveable equipment	8,260,729	2,213,883	-	10,474,612
Clinics	<u>2,013,493</u>	<u>135,504</u>	<u>-</u>	<u>2,148,997</u>
 Totals	 <u>24,286,471</u>	 <u>4,705,471</u>	 <u>6,714,205</u>	 <u>22,277,737</u>
 Total capital assets, being depreciated, net	 <u>63,874,698</u>	 <u>(3,258,359)</u>	 <u>1,425,932</u>	 <u>59,190,407</u>
 Total primary government capital assets, net	 <u>\$ 64,697,014</u>	 <u>\$ (3,257,169)</u>	 <u>\$ 1,425,932</u>	 <u>\$ 60,013,913</u>

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction

Construction work in progress of \$1,190 consists of engineering costs for a new oncology building. Estimated construction costs have not been determined at this time.

E. Leases

1. Operating Leases

The Hospital has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for equipment and buildings. Rental expenditures for these leases were \$210,845 and \$9,600, respectively. The following is a schedule by years of future minimum rental payments as of year end:

	2007	\$	177,415
	2008		131,615
	2009		122,921
	2010		<u>23,484</u>
	Total	\$	<u>455,435</u>

2. Capital Leases

The Hospital has entered into various capital leases for equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of year end, are as follows:

	2007	\$	544,665
	2008		544,663
	2009		544,661
	2010		544,662
	2011		542,319
	2012		<u>387,545</u>
	Total minimum lease payments		3,108,515
	Less amount representing interest		<u>324,067</u>
	Present value of net minimum lease payments	\$	<u>2,784,448</u>

Assets acquired through capital leases still in effect are as follows:

Major moveable equipment	\$	<u>3,207,408</u>
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ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Long-Term Liabilities

1. Revenue Bonds

The Hospital issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2003 Hospital construction bonds	2.85% to 5.35%	<u>\$ 40,000,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2007	\$ 815,000	\$ 1,882,244
2008	835,000	1,857,688
2009	865,000	1,830,256
2010	890,000	1,799,191
2011	925,000	1,764,809
2012-2016	5,205,000	8,212,687
2017-2021	6,565,000	6,776,770
2022-2026	8,350,000	4,939,858
2027-2031	10,555,000	2,664,352
2032-2033	<u>4,995,000</u>	<u>258,944</u>
Totals	<u>\$ 40,000,000</u>	<u>\$ 31,986,799</u>

2. Loans Payable

The Hospital has entered into various loans. A summary of the loans at December 31, 2006, follows:

Loans payable:

\$720,000 1995 loan due in installments of \$6,823 to \$68,114, plus interest through April 14, 2014; interest at a variable rate	\$ 402,514
\$1,687,000 1998 loan due in installments of \$95,900 to \$186,100, plus interest through June 1, 2010; interest at a variable rate	621,800
\$2,008,000 1999 loan due in installments of \$100,400 to \$1,104,400, plus interest through December 15, 2009; interest at a variable rate	1,305,200

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Loans payable (continued):	
\$152,000 1999 loan due in installments of \$7,600 to \$83,600, plus interest through December 15, 2009; interest at a variable rate	98,800
\$2,009,439 2002 loan due in installments of \$200,439 to \$201,000, plus interest through December 31, 2012; interest at a variable rate	1,255,689
\$4,451,167 2002 loan due in installments of \$445,000 to \$446,167, plus interest through December 31, 2012; interest at a variable rate	2,782,417
\$2,891,326 2002 loan due in installments of \$289,000 to \$290,326, plus interest through December 31, 2012; interest at a variable rate	1,807,576
\$750,000 2005 loan due in installments of \$9,289 to \$57,971, plus interest through February 10, 2025; interest at 4.875% until June 29, 2010, thereafter, at a variable rate	<u>715,896</u>
Total loans payable	8,989,892
Less current maturities of long-term debt	<u>1,510,644</u>
Long-term debt net of current maturities	<u><u>\$ 7,479,248</u></u>

Annual debt service requirements to maturity for the loans, including interest of \$1,929,536, are as follows:

2007	\$ 2,093,213
2008	1,709,993
2009	2,726,903
2010	1,316,931
2011	1,160,770
2012-2016	1,422,272
2017-2021	300,000
2022-2025	<u>189,346</u>
Total	<u><u>\$ 10,919,428</u></u>

The Hospital has entered into a five-year interest rate swap agreement for \$1,371,800 of its variable-rate 1998 loan. Based on the swap agreement, the Hospital owes interest calculated at a fixed rate of 5.82% to the counterparty to the swap. In return, the counterparty owes the Hospital interest based on a variable rate that matches the rate required by the loan. Only the net

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

difference in interest payments is actually exchanged with the counterparty. The \$1,371,800 in loan principal is not exchanged; it is only the basis on which the interest payments are calculated. This derivative agreement expired June 1, 2006.

The Hospital has entered into a five-year interest rate swap agreement for \$1,857,400 of its variable-rate 1999 loan. Based on the swap agreement, the Hospital owes interest calculated at a fixed rate of 5.82% to the counterparty to the swap. In return, the counterparty owes the Hospital interest based on a variable rate that matches the rate required by the loan. Only the net difference in interest payments is actually exchanged with the counterparty. The \$1,857,400 in loan principal is not exchanged; it is only the basis on which the interest payments are calculated. This derivative agreement expired June 15, 2006.

The Hospital has entered into a five-year interest rate swap agreement for \$4,451,167 of its variable-rate 2002 loan. Based on the swap agreement, the Hospital owes interest calculated at a fixed rate of 5.98% to the counterparty to the swap. In return, the counterparty owes the Hospital interest based on a variable rate that matches the rate required by the loan. Only the net difference in interest payments is actually exchanged with the counterparty. The \$4,451,167 in loan principal is not exchanged; it is only the basis on which the interest payments are calculated.

The Hospital continues to pay interest to the financial institution at the variable rate provided by the loans. However, during the term of the swap agreement, the Hospital effectively pays a fixed rate on the debt. The debt service requirements to maturity for the 1998 and 1999 loans are based on that fixed rate. The Hospital will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the Hospital's making or receiving a termination payment.

During 2006, the Hospital paid to the counterparty \$51,412 as a result of the swap agreements.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue:					
Hospital Association	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ 815,000
Capital leases	2,960,759	252,867	429,178	2,784,448	444,470
Loans payable	10,254,690	-	1,264,798	8,989,892	1,510,644
 Total long-term liabilities	 <u>\$ 53,215,449</u>	 <u>\$ 252,867</u>	 <u>\$ 1,693,976</u>	 <u>\$ 51,774,340</u>	 <u>\$ 2,770,114</u>

G. Endowments and Restricted Net Assets

Restricted expendable net assets are available for the following purposes:

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2006
Hospital:	
Purchase of equipment	\$ 5,955
Debt service	4,801,573
Woodcrest Retirement Community:	
Specific operating activities	32,493
Total expendable, restricted net assets	\$ 4,840,021

Unless the contributor provides specific instructions, state statute permits the Hospital Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Hospital Board is required to consider the Hospital's "long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

Restricted nonexpendable net assets as of year end represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	2006
Woodcrest Retirement Community	\$ 146,113

H. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$282,220 for 2006.

I. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

Designated Funds – Assets set aside by the Hospital Board of Trustees for identified purposes and over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Internally designated:	
Board designation:	
Cash and cash equivalents	\$ 4,007,541

III. Other Information

A. Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The Hospital has chosen to service the risks associated with medical benefits to employees. An excess policy through commercial insurance covers individual claims submitted for medical procedures performed outside of Adams County Memorial Hospital. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2006	2005
Unpaid claims, beginning of fiscal year	\$ 250,000	\$ 525,000
Incurred claims and changes in estimates	5,760,000	5,350,000
Claim payments	(5,860,000)	(5,625,000)
Unpaid claims, end of fiscal year	\$ 150,000	\$ 250,000

B. Contingent Liabilities

Litigation

The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

C. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount reported in the statement of net assets for cash and cash equivalents approximates its fair value.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-Term Investments

The carrying amount reported in the statement of net assets is the investment's fair value on the day it becomes a short-term investment.

Investments

Fair values, which are the amounts reported in the statement of net assets, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Accounts Payable and Accrued Expenses

The carrying amount reported in the statement of net assets for accounts payable and accrued expenses approximates its fair value.

Estimated Third-Party Payor Settlements

The carrying amount reported in the statement of net assets for estimated third-party payor settlements approximates its fair value.

D. Estimated Third-Party Settlements

Regulations in effect require annual retroactive settlements for third-party settlements based upon cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the accompanying financial statements. Changes in these estimates are reflected in the year in which they occur.

E. Pension Plan

Plan Description

The Hospital has a defined benefit pension plan administered by Adams County Memorial Hospital as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Buck Consultants
202 West Berry Street, Suite 700
Fort Wayne, IN 46802-2248
Ph. (260) 427-7800

Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. Plan members are not required to contribute to the plan. The Hospital is required to contribute at an actuarially determined rate. The current rate is 5.09% of annual covered payroll.

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	Employees' Retirement Plan
Annual required contribution	\$ 695,247
Interest on net pension obligation	(52,799)
Adjustment to annual required contribution	90,250
Annual pension cost	732,698
Contributions made	900,000
Decrease in net pension obligation	(167,302)
Net pension obligation, beginning of year	(754,278)
Net pension obligation, end of year	\$ (921,580)
Contribution rates:	
Hospital	5.09%
Plan members	0%
Actuarial valuation date	01-01-06
Actuarial cost method	Frozen entry age
Amortization method	Level dollar, closed
Amortization period	20 years
Amortization period (from date)	01-01-98
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return	7%
Projected future salary increases:	
Total	5%
Attributed to inflation	3%
Attributed to merit/seniority	2%
Cost-of-living adjustments	N/A

N/A = Not available

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Employees'	12-31-03	\$ 880,481	84%	\$ (676,781)
Retirement Plan	12-31-04	822,503	109%	(754,278)
	12-31-05	770,605	117%	(921,580)

ADAMS COUNTY MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Loss on Disposal of Old Hospital Building

A new hospital building was completed in 2005 and operations were moved from the old building to the new building. The Hospital began razing the old building in 2006. The net loss on disposal included the book value of old building and improvements and equipment of \$8,140,137, less accumulated depreciation of \$6,714,205 and costs for demolition of \$306,269.

ADAMS COUNTY MEMORIAL HOSPITAL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 7,742,836	\$ 9,603,255	\$ (1,860,419)	81%	\$ 11,539,930	(16%)
01-01-05	8,793,532	10,360,254	(1,566,722)	85%	12,880,031	(12%)
01-01-06	9,863,345	11,255,836	(1,392,491)	88%	14,138,689	(10%)

ADAMS COUNTY MEMORIAL HOSPITAL
COMBINING STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	Hospital	Woodcrest Nursing Home	Woodcrest Retirement Community	Evergreen Assisted Living	Village of Heritage Nursing Home	Elimination	Total Primary Government
Current assets:							
Cash and cash equivalents	\$ 1,314,639	\$ 88,780	\$ 355,590	\$ 50	\$ 1,680,060	\$ -	\$ 3,439,119
Patient accounts receivable	10,536,211	541,051	1,714	5,118	726,069	-	11,810,163
Allowance for uncollectible accounts	(3,543,896)	(100,000)	-	-	(203,663)	-	(3,847,559)
Supplies and other current assets	1,361,295	-	1,445	4,739	2,529	-	1,370,008
Noncurrent cash and investments:							
Internally designated	3,727,541	-	280,000	-	-	-	4,007,541
Held by trustee for debt service	4,801,573	-	-	-	-	-	4,801,573
Held by trustee for capital acquisitions	5,955	-	-	-	-	-	5,955
Capital assets:							
Land and construction in progress	372,000	61,396	122,810	132,300	135,000	-	823,506
Depreciable capital assets, net of accumulated depreciation	44,062,849	3,000,137	6,586,841	3,145,742	2,394,838	-	59,190,407
Due from component units	16,039,396	1,340,644	546,595	48,386	1,495,609	(19,470,630)	-
Other assets	-	6,444	23,502	-	13,266	-	43,212
Total assets	<u>\$ 78,677,563</u>	<u>\$ 4,938,452</u>	<u>\$ 7,918,497</u>	<u>\$ 3,336,335</u>	<u>\$ 6,243,708</u>	<u>\$(19,470,630)</u>	<u>\$ 81,643,925</u>
<u>Liabilities and Net Assets</u>							
Current liabilities:							
Current maturities of long-term debt	\$ 1,336,164	\$ 251,250	\$ 917,500	\$ 164,800	\$ 100,400	\$ -	\$ 2,770,114
Accounts payable and accrued expenses	1,754,140	96,601	16,167	999	83,340	-	1,951,247
Estimated third-party payor settlements	1,200,000	240,000	-	-	26,701	-	1,466,701
Due to component units	959,705	4,034,035	2,810,234	4,318,911	7,347,745	(19,470,630)	-
Other current liabilities	3,369,622	406,916	72,656	3,000	79,682	-	3,931,876
Long-term debt, net of current maturities	42,665,494	1,004,439	3,672,493	457,000	1,204,800	-	49,004,226
Other long-term liabilities	-	-	1,357,492	-	-	-	1,357,492
Total liabilities	<u>51,285,125</u>	<u>6,033,241</u>	<u>8,846,542</u>	<u>4,944,710</u>	<u>8,842,668</u>	<u>(19,470,630)</u>	<u>60,481,656</u>
Net assets:							
Invested in capital assets, net of related debt	433,191	1,805,844	2,119,658	2,656,242	1,224,638	-	8,239,573
Restricted:							
For debt service	4,801,573	-	-	-	-	-	4,801,573
Expendable for capital acquisitions	5,955	-	-	-	-	-	5,955
Expendable for specific operating activities	-	-	32,493	-	-	-	32,493
Nonexpendable permanent endowments	-	-	146,113	-	-	-	146,113
Unrestricted	22,151,719	(2,900,633)	(3,226,309)	(4,264,617)	(3,823,598)	-	7,936,562
Total net assets	<u>27,392,438</u>	<u>(1,094,789)</u>	<u>(928,045)</u>	<u>(1,608,375)</u>	<u>(2,598,960)</u>	<u>-</u>	<u>21,162,269</u>
Total liabilities and net assets	<u>\$ 78,677,563</u>	<u>\$ 4,938,452</u>	<u>\$ 7,918,497</u>	<u>\$ 3,336,335</u>	<u>\$ 6,243,708</u>	<u>\$(19,470,630)</u>	<u>\$ 81,643,925</u>

ADAMS COUNTY MEMORIAL HOSPITAL
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Year Ended December 31, 2006

	Hospital	Woodcrest Nursing Home	Woodcrest Retirement Community	Evergreen Assisted Living	Village of Heritage Nursing Home	Elimination	Total Primary Government
Operating revenues:							
Net patient service revenue (net of provision for bad debt)	\$ 34,528,159	\$ 5,671,239	\$ 1,095,161	\$ 735,877	\$ 3,085,072	\$ -	\$ 45,115,508
Other	1,180,152	36,075	13,557	181	31,900	-	1,261,865
Total operating revenues	35,708,311	5,707,314	1,108,718	736,058	3,116,972	-	46,377,373
Operating expenses:							
Salaries and benefits	19,067,922	4,266,137	212,885	264,635	2,142,298	-	25,953,877
Medical supplies and drugs	4,524,686	109,249	-	1,345	126,000	-	4,761,280
Insurance	247,138	150,247	36,886	33,144	77,976	-	545,391
Other supplies	3,183,417	463,499	73,570	128,935	330,385	-	4,179,806
Depreciation and amortization	3,904,909	174,922	263,003	214,983	147,654	-	4,705,471
Other	6,189,316	636,697	244,111	56,174	344,103	-	7,470,401
Total operating expenses	37,117,388	5,800,751	830,455	699,216	3,168,416	-	47,616,226
Operating income (loss)	(1,409,077)	(93,437)	278,263	36,842	(51,444)	-	(1,238,853)
Nonoperating revenues (expenses):							
Investment income	332,349	4,990	24,626	-	19,206	-	381,171
Interest expense	(1,990,774)	(75,094)	(296,283)	(40,473)	(83,320)	-	(2,485,944)
Other	-	(1,074)	(1,912)	-	(4,089)	-	(7,075)
Total nonoperating revenues (expenses)	(1,658,425)	(71,178)	(273,569)	(40,473)	(68,203)	-	(2,111,848)
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions and special and extraordinary items	(3,067,502)	(164,615)	4,694	(3,631)	(119,647)	-	(3,350,701)
Capital grants and contributions	1,107,842	-	116,863	-	-	-	1,224,705
Extraordinary loss on disposal of old hospital	(1,732,201)	-	-	-	-	-	(1,732,201)
Increase (decrease) in net assets	(3,691,861)	(164,615)	121,557	(3,631)	(119,647)	-	(3,858,197)
Net assets beginning of the year	31,084,299	(930,174)	(1,049,602)	(1,604,744)	(2,479,313)	-	25,020,466
Net assets end of the year	\$ 27,392,438	\$ (1,094,789)	\$ (928,045)	\$ (1,608,375)	\$ (2,598,960)	\$ -	\$ 21,162,269

ADAMS COUNTY MEMORIAL HOSPITAL
COMBINING STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2006

	Hospital	Woodcrest Nursing Home	Woodcrest Retirement Community	Evergreen Assisted Living	Village of Heritage Nursing Home	Elimination	Total Primary Government
Cash flows from operating activities:							
Receipts from and on behalf of patients	\$ 35,035,800	\$ 5,595,971	\$ 1,107,706	\$ 722,441	\$ 3,208,209	\$ -	\$ 45,670,127
Payments to suppliers and contractors	(13,851,668)	(1,216,414)	(16,451)	(225,457)	(541,527)	-	(15,851,517)
Payments to employees	(19,820,856)	(4,406,178)	57,645	(296,804)	(1,416,637)	-	(25,882,830)
Net cash provided (used) by operating activities	<u>1,363,276</u>	<u>(26,621)</u>	<u>1,148,900</u>	<u>200,180</u>	<u>1,250,045</u>	<u>-</u>	<u>3,935,780</u>
Cash flows from noncapital financing activities:							
Other	-	-	2,008	-	-	-	2,008
Cash flows from capital and related financing activities:							
Cash paid for disposal of assets	(15,521)	-	-	-	-	-	(15,521)
Capital grants and contributions	1,107,842	-	116,863	-	-	-	1,224,705
Principal paid on long-term debt	(503,176)	(201,000)	(734,000)	(155,400)	(100,400)	-	(1,693,976)
Interest paid on long-term debt	(1,991,079)	(74,723)	(304,516)	(41,473)	(83,820)	-	(2,495,611)
Purchase of capital assets	(1,899,441)	(41,642)	(53,726)	(3,307)	(72,365)	-	(2,070,481)
Net cash used by capital and related financing activities	<u>(3,301,375)</u>	<u>(317,365)</u>	<u>(975,379)</u>	<u>(200,180)</u>	<u>(256,585)</u>	<u>-</u>	<u>(5,050,884)</u>
Cash flows from investing activities:							
Interest and dividends on investments	332,349	4,990	24,626	-	19,206	-	381,171
Net increase (decrease) in cash and cash equivalents	(1,605,750)	(338,996)	200,155	-	1,012,666	-	(731,925)
Cash and cash equivalents at beginning of year	11,455,458	427,776	435,435	50	667,394	-	12,986,113
Cash and cash equivalents at end of year	<u>\$ 9,849,708</u>	<u>\$ 88,780</u>	<u>\$ 635,590</u>	<u>\$ 50</u>	<u>\$ 1,680,060</u>	<u>\$ -</u>	<u>\$ 12,254,188</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:							
Cash and cash equivalents in current assets	\$ 1,314,639	\$ 88,780	\$ 355,590	\$ 50	\$ 1,680,060	\$ -	\$ 3,439,119
Restricted cash and cash equivalents	8,535,069	-	280,000	-	-	-	8,815,069
Total cash and cash equivalents	<u>\$ 9,849,708</u>	<u>\$ 88,780</u>	<u>\$ 635,590</u>	<u>\$ 50</u>	<u>\$ 1,680,060</u>	<u>\$ -</u>	<u>\$ 12,254,188</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (1,409,077)	\$ (93,437)	\$ 278,263	\$ 36,842	\$ (51,444)	\$ -	\$ (1,238,853)
Adjustments to reconcile operating income (loss) to net cash flows provided (used) in operating activities:							
Depreciation and amortization	3,904,909	174,922	263,003	214,983	147,654	-	4,705,471
(Increase) decrease in current assets:							
Patient accounts receivable	(672,511)	(111,343)	(1,012)	(5,118)	91,237	-	(698,747)
Supplies and other current assets	(34,336)	139,127	34,106	20,939	66,780	-	226,616
Due from component units	(1,075,428)	(127,052)	558,297	(936)	-	645,119	-
Increase (decrease) in current liabilities:							
Accounts payable and accrued expenses	(108,448)	39,268	4,917	(478)	40,896	-	(23,845)
Other current liabilities	24,979	17,800	-	-	(8,546)	-	34,233
Estimated third-party payor settlements	1,100,000	15,000	-	-	(33,299)	-	1,081,701
Due to component units	(366,812)	(80,906)	153,623	(57,553)	996,767	(645,119)	-
Other liabilities related to operating activities	-	-	(142,297)	(8,499)	-	-	(150,796)
Net cash provided (used) by operating activities	<u>\$ 1,363,276</u>	<u>\$ (26,621)</u>	<u>\$ 1,148,900</u>	<u>\$ 200,180</u>	<u>\$ 1,250,045</u>	<u>\$ -</u>	<u>\$ 3,935,780</u>
Supplemental disclosures of cash flow information:							
Capital assets acquired through accounts payable and accrued expenses	\$ -	\$ 14,238	\$ -	\$ -	\$ -	\$ -	\$ 14,238
Capital assets acquired through leases payable	252,867	-	-	-	-	-	252,867

ADAMS COUNTY MEMORIAL HOSPITAL
AUDIT RESULTS AND COMMENTS

CERTIFIED REPORT NOT FILED

The Hospital did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2006. A similar comment appeared in Report B27124.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

ADVANCE PAYMENTS

The Hospital has entered into a series of annual contracts with a private vendor to operate the business office (for managing accounts receivables and billings). The contract for the year 2007 was for \$713,136. Of that contract amount, \$224,320 was paid to the vendor in 2006 for 2007. This represents a 31% prepayment on the 2007 contract.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 1)

ADAMS COUNTY MEMORIAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2007, with Marvin L. Baird, Executive Director; and William G. Seck, Treasurer.