

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

AUDIT REPORT
OF

CLARK MEMORIAL HOSPITAL
A COMPONENT UNIT OF
CLARK COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

07/20/2010

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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President and Chief Executive Officer	Martin Padgett	01-01-09 to 12-31-10
Chief Financial Officer and Treasurer	Kirk Strack	01-01-09 to 12-31-10
Chairman of the Hospital Board	Debra E. Meyer	01-01-09 to 12-31-10
President of the Board of County Commissioners	Edward Meyer	01-01-09 to 12-31-10



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Clark Memorial Hospital (Hospital) as of and for the year ended December 31, 2009, which collectively comprise the Hospital's basic financial statements 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 did not audit the financial statements of the Southern Indiana Rehab Hospital, an Affiliated Company. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the investment in the Affiliated Company in the amount of \$1,875,700, as of December 31, 2009, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over reporting. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2009, 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 of America.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the 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 of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining statements, listed in the Table of Contents, are presented for purposes of additional analysis and are not required parts 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

July 1, 2010

Management Discussion and Analysis

Our discussion and analysis of Clark Memorial Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the Hospital's financial statements and accompanying notes to the financial statements.

Using This Annual Report

This annual report consists of two parts – *management's discussion and analysis*, and the *basic financial statements*.

- In the "*management discussion and analysis*" section of this report the management of the hospital discuss various components of the annual report and provide an analysis of the current financial statement information.
- The "*basic financial statement*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The Statement of Net Assets reveals the assets and liabilities of the Hospital on December 31, 2009 while the Statement of Revenues, Expenses and Changes in Net Assets summarizes the changes in the assets and liabilities for the year then ended. The Statement of Cash Flows summarizes the change in cash and cash equivalents as a result of the financial activity during the year. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

Financial Highlights

Overall, the positive financial results for FY09 are due primarily to better than expected inpatient volume, expense control in significant categories such as supplies, purchased services, and interest expense and supplemental payments through the Medicaid Upper Payment Limit system. Although the first four months of the year witnessed unusually low inpatient volume, acute care days completed the year just over budget, which drives contribution margin. Finally, outpatient growth was seen in the areas of pain management and wound care; however, as in past fiscal years, higher margin outpatient volume continued to be a barrier to better financial performance and competition continues to place additional constraints on overall volume stability.

Summarized Financial Statement Information

The following information documents in summary form the financial information related to the activities of the hospital for the last year. All figures are rounded to the nearest 1,000.

	<u>2009</u>	<u>2008</u>
Current assets	\$ 50,429	41,104
Noncurrent assets	10,171	1,010
Capital assets	94,523	92,960
Other assets	<u>4,328</u>	<u>4,405</u>
Total assets	<u>\$ 159,451</u>	<u>139,479</u>
Current liabilities	\$ 24,503	24,906
Long-term debt	53,972	37,705
Other long-term liabilities	<u>357</u>	<u>122</u>
Total Liabilities	<u>78,832</u>	<u>62,733</u>
Net Assets		
Invested in capital assets, net of related debt	27,139	50,999
Nonexpendable permanent endowments	43	48
Expendable for specific operating activities	19	8
Unrestricted	<u>53,418</u>	<u>25,691</u>
Total Net Assets	<u>80,619</u>	<u>76,746</u>
Total Liabilities and Net Assets	<u>\$ 159,451</u>	<u>139,479</u>
	<u>2009</u>	<u>2008</u>
Revenue		
Net Patient service revenue	\$ 136,550	\$ 133,954
Other revenues	<u>2,884</u>	<u>2,686</u>
Total Revenues	<u>139,434</u>	<u>136,640</u>
Expenses		
Salaries and benefits	73,396	69,903
Medical supplies, drugs, services and fees	45,553	41,439
Other	6,563	9,148
Depreciation and amortization	<u>10,097</u>	<u>10,241</u>
Total Expenses	<u>135,609</u>	<u>130,731</u>
Operating income	3,825	5,909
Nonoperating revenues (expenses)	48	(6,906)
Capital Contributions, Grants, etc.	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	3,873	(997)
Net assets beginning of year	<u>76,746</u>	<u>77,743</u>
Net assets end of year	<u>\$ 80,619</u>	<u>\$ 76,746</u>

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the Hospital had approximately \$27 million invested in capital assets, net of related debt. More detailed information about the Hospital's capital assets is presented in Note II.C. to the financial statements. The table below documents the type of assets that make up the Capital Assets held by the Hospital as of December 31, 2009.

	Capital Assets at Year-end Net of Depreciation (000's)	
	2009	2008
Land	\$ 6,433	\$ 6,432
Construction in progress	20,750	13,274
Land improvements	1,535	1,527
Building and improvements	93,166	92,874
Equipment	<u>84,738</u>	<u>85,691</u>
Total	206,622	199,798
Less Accumulation depreciation	<u>112,099</u>	<u>106,838</u>
Capital Assets (Net)	<u>\$ 94,523</u>	<u>\$ 92,960</u>

Debt

At year-end, the Hospital had approximately \$58.1 million in loans and bond issues outstanding, versus \$37.2 million at the end of the previous year. More detailed information about the Hospital's long-term liabilities is presented in Note II E, F and G to the financial statements. The table below documents the debt held and its use:

	Outstanding Debt At Year End (000's)	
	2009	2008
Revenue bonds	\$ 51,566	\$ 27,865
Capital leases	1,558	2,456
Loans	<u>5,004</u>	<u>6,875</u>
Total Debt	<u>\$ 58,128</u>	<u>\$ 37,196</u>

Contacting the Hospital's Management

This financial report is designed to provide our citizens, taxpayers, patients, and other interested parties with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administrator at (812) 283-2178.

CLARK MEMORIAL HOSPITAL
STATEMENT OF NET ASSETS
Year Ended December 31, 2009
(In Thousands)

Assets

Current assets:	
Cash and cash equivalents	\$ 17,816
Short-term investments	3,839
Cash with fiscal agent	1,436
Patient accounts receivable, net of estimated uncollectibles of \$43,370 (Hospital \$42,802, Clark Physician Group \$568)	22,158
Other receivables	1,528
Inventories	795
Prepaid expenses	2,857
Noncurrent cash and investments:	
Internally designated	5,304
Internally designated - debt service reserve	4,201
Other long-term investments	550
Restricted by contributors and grantors	62
Joint venture	54
Capital assets:	
Land	6,433
Construction in progress	20,750
Depreciable capital assets, net of accumulated depreciation	67,340
Deferred financing costs	703
Other assets	<u>3,625</u>
Total assets	<u>\$ 159,451</u>

Liabilities and Net Assets

Current liabilities:	
Current maturities of long-term debt	\$ 3,226
Current maturities of capital leases	930
Short-term liabilities	424
Accounts payable	5,622
Accrued expenses	13,056
Estimated third-party payor settlements	1,245
Long-term debt, net of current maturities, net of unamortized loss on refunding	53,972
Other long term liabilities	<u>357</u>
Total liabilities	<u>78,832</u>
Net assets:	
Invested in capital assets, net of related debt	27,139
Restricted:	
Expendable for specific operating activities	19
Nonexpendable permanent endowments	43
Unrestricted	<u>53,418</u>
Total net assets	<u>80,619</u>
Total liabilities and net assets	<u>\$ 159,451</u>

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

CLARK MEMORIAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2009
(In Thousands)

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	\$ 136,550
Other	<u>2,884</u>
Total operating revenues	<u>139,434</u>
Operating expenses:	
Personnel	59,697
Benefits	13,699
Supplies	24,881
Purchased services	18,517
Professional fees	2,155
Other expenses	6,563
Depreciation and amortization	<u>10,097</u>
Total operating expenses	<u>135,609</u>
Operating income	<u>3,825</u>
Nonoperating revenues (expenses):	
Investment income	869
Unrealized holding loss on swap contract	1,326
Interest expense	(2,199)
Non-operating gains/losses	395
Grants and contributions	(170)
Gain on investment in affiliated companies	<u>(173)</u>
Total nonoperating revenues (expenses)	<u>48</u>
Excess of revenues over expenses	3,873
Net assets beginning of the year	<u>76,746</u>
Net assets end of the year	<u>\$ 80,619</u>

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

CLARK MEMORIAL HOSPITAL
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2009
(In Thousands)

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 136,616
Payments to suppliers and contractors	(53,920)
Payments to employees	(73,161)
Other receipts and payments, net	<u>12,660</u>
Net cash provided by operating activities	<u>22,195</u>
Cash flows from noncapital financing activities:	
Other	<u>390</u>
Net cash provided by noncapital financing activities	<u>390</u>
Cash flows from capital and related financing activities:	
Bond issuance costs	(1,085)
Acquisition and construction of capital assets	(20,952)
Proceeds from sale of bonds	52,848
Capital grants and contributions	(165)
Principal paid on long-term debt	(30,734)
Interest paid on long-term debt	<u>(2,328)</u>
Net cash used by capital and related financing activities	<u>(2,416)</u>
Cash flows from investing activities:	
Interest and dividends on investments	869
Unrealized loss on swap contract	(3,439)
Decrease in investment in affiliated company	147
Purchase of investments	<u>350</u>
Net cash used by investing activities	<u>(2,073)</u>
Net increase in cash and cash equivalents	<u>18,096</u>
Cash and cash equivalents at beginning of year	<u>14,616</u>
Cash and cash equivalents at end of year	<u>\$ 32,712</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 23,091
Restricted cash and cash equivalents	<u>9,621</u>
Total cash and cash equivalents	<u>\$ 32,712</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,825
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	10,097
Provision for bad debts	25,284
Patient accounts receivable	(25,218)
Supplies and other current assets	(759)
Estimated third-party payor settlements	(4,880)
Other assets	35
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	(1,047)
Other current liabilities	14,304
Other long term liabilities	235
Estimated third-party payor settlements	<u>319</u>
Net cash provided in operating activities	<u>\$ 22,195</u>

Noncash capital and financing activities:

The Hospital entered into a loan agreement with Morrison's Cafeteria in the amount of \$300,000. The repayment represents cost associated with the renovation of the Hospital's cafeteria which was paid by Morrison's Cafeteria. The agreement stipulates that the sum of \$300,000 would be repaid by the Hospital over the term of 5 years interest free.

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

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Clark 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 out-patient health care.

The Board of County Commissioners of Clark 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 Clark County.

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government.

Blended Component Units

The Clark Memorial Hospital Foundation (Foundation) is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the Foundation's Board and is able to impose its will. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital.

The Clark Physician Group (CPG) is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the CPG's Board and is able to impose its will. Although, it is legally separate from the Hospital, CPG is reported as if it were a part of the Hospital because it provides services entirely to the Hospital.

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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Hospital has elected to apply subsequent private-sector guidance.

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.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Open-end mutual funds are reported at fair value.

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.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

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 accounting principles generally accepted in the United States of America 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$ 1	Straight-line	Common useful life
Buildings and improvements	1	Straight-line	Common useful life
Equipment	1,000	Straight-line	Common useful life

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The total interest expense incurred by the Hospital during the current year was \$2,199,000. Of the amount, \$372,072 was included as part of the cost of capital assets under construction in connection with new medical facilities and various other renovation projects.

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, contributors, or enabling legislation external to the Hospital.

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

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 for expenditure the net appreciation of the investments of endowment funds, as discussed in Note II (H).

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.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. New 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. New patient service revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

I. Charity Care

The Hospital has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Because the agency does not expect payment, estimated charges for charity are not included in revenue.

J. Supplies

Inventories of drugs and other supplies are stated at the lower of cost (first-in, first-first-out) or market.

K. Compensated Absences

1. Extended Illness Bank (EIB)

Hospital employees earn EIB time at the rate of 28 to 72 hours per year. Unused EIB time may be accumulated to a maximum of 960 hours. Accumulated EIB time is not paid to employees upon termination.

2. Paid Time Off

The Hospital's policy on paid time off (which includes vacation and holidays) allows full-time employees and regular part-time employees to accrue paid time off at rates from 160 to 280 hours per year based on the number of years of service. Paid time off may be accumulated to a maximum of two times the employee's annual accrual rate. Accumulated paid time off is paid to employees through cash payments upon termination or change of status from benefit status to a nonbenefit status.

Paid time off is accrued when incurred and reported as a liability.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

L. 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.

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.

Long Term Debt

Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

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 16-22-3-16 allows a Hospital Governing Board to deposit public funds in a financial institution. The Hospital does not have a formal policy regarding custodial credit risk for deposits. At December 31, 2009, the Hospital had deposit balances in the amount of \$29,369,782. Of this amount, the balance held at JPMorgan Chase Bank of \$17,297,659 was collateralized with securities held by the pledging financial

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

institution's trust department or agent but not in the depositor-Hospital's name. The remaining 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, 2009, the Hospital had the following investments:

Investment Type	Primary Government	Investment Maturities (in Years)			
	Market Value	Less Than 1	1-5	6-10	More Than 10
Mutual Funds	\$ 3,892,680	\$ 3,892,680	\$ -	\$ -	\$ -

Statutory Authorization for Investments

Indiana Code 16-22-3-20 authorizes the Hospital to invest in:

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.

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.

Mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana.

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.

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.

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:

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Patient Accounts Receivable

Receivable from patients and their insurance carriers	\$ 42,130,330
Receivable from Medicare	10,836,333
Receivable from Medicaid	<u>12,561,284</u>
 Total patient accounts receivable	 65,527,947
 Less allowance for uncollectible amounts	 <u>43,369,906</u>
 Patient accounts receivable, net	 <u><u>\$ 22,158,041</u></u>

Accounts Payable and Accrued Expenses

Payable to employees (including payroll taxes)	\$ 12,321,399
Payable to suppliers	4,627,703
Other	<u>1,728,885</u>
 Total accounts payable and accrued expenses	 <u><u>\$ 18,677,987</u></u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2009, 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	\$ 6,432,533	\$ -	\$ -	\$ 6,432,533
Construction in progress	<u>13,274,448</u>	<u>10,831,495</u>	<u>3,355,876</u>	<u>20,750,067</u>
 Total capital assets, not being depreciated	 <u>19,706,981</u>	 <u>10,831,495</u>	 <u>3,355,876</u>	 <u>27,182,600</u>
Capital assets, being depreciated:				
Land improvements	1,527,140	8,586	-	1,535,726
Buildings and improvements	92,873,727	1,711,240	1,419,102	93,165,865
Equipment	<u>85,690,681</u>	<u>2,539,419</u>	<u>3,491,291</u>	<u>84,738,809</u>
 Totals	 <u>180,091,548</u>	 <u>4,259,245</u>	 <u>4,910,393</u>	 <u>179,440,400</u>
Less accumulated depreciation for:				
Land improvements	945,670	66,930	-	1,012,600
Buildings and improvements	40,000,807	4,209,054	1,413,409	42,796,452
Equipment	<u>65,891,865</u>	<u>5,843,159</u>	<u>3,444,667</u>	<u>68,290,357</u>
 Totals	 <u>106,838,342</u>	 <u>10,119,143</u>	 <u>4,858,076</u>	 <u>112,099,409</u>
 Total capital assets, being depreciated, net	 <u>73,253,206</u>	 <u>14,378,388</u>	 <u>9,768,469</u>	 <u>67,340,991</u>
 Total primary government capital assets, net	 <u><u>\$ 92,960,187</u></u>	 <u><u>\$ 25,209,883</u></u>	 <u><u>\$ 13,124,345</u></u>	 <u><u>\$ 94,523,591</u></u>

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Expended to December 31, 2009</u>	<u>Committed</u>
Eclipsys	\$ 17,642,849	\$ 7,357,151
HVAC Systems Control	1,824,389	-
Various Small Projects	<u>1,282,829</u>	<u>4,396,369</u>
Totals	<u>\$ 20,750,067</u>	<u>\$ 11,753,520</u>

E. Leases

Capital Leases

The Hospital has entered into capital leases for CT and MRI Equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2009, are as follows:

2010	\$ 1,005,640
2011	<u>643,734</u>
Total minimum lease payments	1,649,374
Less amount representing interest	<u>91,052</u>
Present value of net minimum lease payments	<u>\$ 1,558,322</u>

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

Equipment	\$ 4,292,316
Less: accumulated depreciation	<u>2,885,423</u>
Total	<u>\$ 1,406,893</u>

F. Short-Term Liabilities

The Hospital uses a revolving line of credit and short-term loans/notes to finance a variety of Hospital projects. In 2009, the Hospital established a line of credit with Stock Yards Bank to have monies available for future projects.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-term debt activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Line of credit, loans, notes	\$ -	\$ 483,833	\$ 60,000	\$ 423,833

G. 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Less: Unamortized Premium</u>	<u>Less: Deferral on Refunding</u>	<u>Amount</u>
Special Program Revenue Bonds, Series 2009D	5%	\$ 52,000,000	\$ (376,306)	\$ 435,306	\$ 51,941,000

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,170,000	\$ 1,697,186
2011	1,755,000	2,433,100
2012	1,815,000	2,371,150
2013	1,880,000	2,307,100
2014	1,945,000	2,240,675
2015-2019	11,095,000	9,861,075
2020-2024	14,115,000	6,881,275
2025-2029	18,225,000	2,762,663
Totals	<u>\$ 52,000,000</u>	<u>\$ 30,554,224</u>

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loans Payable

The Hospital has entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$584,534, are as follows:

2010	\$	2,297,876
2011		1,798,327
2012		286,825
2013		226,282
2014		226,282
2015-2019		<u>753,359</u>
 Total	 \$	 <u><u>5,588,951</u></u>

3. Advance Refunding

On November 24, 2009, the Clark Memorial Hospital issued \$27,275,000 in refunding revenue bonds with an average interest rate of 5.12% to advance refund \$27,275,000 of outstanding Revenue Bonds, Series 2009 with an average interest rate of 6.49%. The net proceeds of \$27,071,371 (after payment of \$204,620 in issuance costs and \$194,688 in bond discount) and local contributions of \$223,786 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Revenue Bonds, Series 2009. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Balance Sheet. The refunding resulted in the accounting loss of \$435,306, which has been recognized on the Balance Sheet as Deferral of Loss on Refunding. This amount will be amortized using the straight line method and charged to interest expense over the next 20 years. The Clark Memorial Hospital in effect increased its aggregate debt service payment by \$428,406 over the next 20 years and realized an economic loss (difference between the present values of the old and new debt service payments) of \$313,384. The following outstanding bonds, at December 31, 2009, were considered defeased:

	<u>Amount</u>
Hospital	<u><u>\$ 27,275,000</u></u>

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, 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:					
Indiana Health Facility Financing Authority	\$ 27,865,000	\$ -	\$ 27,865,000	\$ -	\$ -
Special Program Revenue Bonds, Series 2009D	-	52,000,000	-	52,000,000	1,170,000
Less deferred amount on refunding	-	(435,306)	-	(435,306)	-
	<u>27,865,000</u>	<u>51,564,694</u>	<u>27,865,000</u>	<u>51,564,694</u>	<u>1,170,000</u>
Total bonds payable	27,865,000	51,564,694	27,865,000	51,564,694	1,170,000
Capital leases	2,455,766	-	897,444	1,558,322	930,129
Loans payable	6,875,362	-	1,870,945	5,004,417	2,070,126
	<u>6,875,362</u>	<u>-</u>	<u>1,870,945</u>	<u>5,004,417</u>	<u>2,070,126</u>
Total long-term liabilities	<u>\$ 37,196,128</u>	<u>\$ 51,564,694</u>	<u>\$ 30,633,389</u>	<u>\$ 58,127,433</u>	<u>\$ 4,170,255</u>

H. Endowments and Restricted Net Assets

Restricted, expendable net assets are available for the following purposes:

	<u>2009</u>
Expendable for specific operating activities:	
Board approved activities	\$ 14,805
Nursing scholarships	4,151
	<u>4,151</u>
Total expendable, restricted net assets	<u>\$ 18,956</u>

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:

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2009
Board approved activities	\$ 31,351
Nursing scholarships	12,164
Total restricted nonexpendable net assets	\$ 43,515

I. Net Patient Service Revenue

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

1. Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

2. Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 42% and 1%, respectively, of the Hospital's net patient revenue for the year ended 2009, and 39% and 4%, respectively, of the Hospital's net patient revenue for the year ended 2008. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2009 net patient service revenue increased approximately \$1,976,398 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

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

J. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$5,355,683 for 2009.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. 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	\$ 5,304,142
Investments	<u>54,163</u>
Total board designation	<u>\$ 5,358,305</u>

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 and dental benefits to employees, retirees and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Job Related Illnesses or Injuries to Employees

The Hospital's Operating Fund services the risk of loss on work related illnesses and injuries to employees. An excess policy through commercial insurance covers individual claims in excess of \$300,000 per year or an aggregate for all individuals of \$3,000,000. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. However, claim liabilities cannot be reasonably estimated.

Medical and Dental Benefits to Employees, Retirees and Dependents

The Hospital has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Operating Fund. An excess policy through commercial insurance covers individual claims in excess of \$250,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Claim expenditures and liabilities of the fund 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).

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	2008	2009
Unpaid claims, beginning of fiscal year	\$ 427,000	\$ 334,000
Incurred claims and changes in estimates	4,358,396	5,535,448
Claim payments	(4,451,396)	(5,308,448)
Unpaid claims, end of fiscal year	\$ 334,000	\$ 561,000

B. Related Party Transactions

In 1992, the Hospital entered into an agreement with MedGroup Management, Inc., (MedGroup), an affiliate of Jewish Hospital and St. Mary's HealthCare, Inc., whereby MedGroup would supervise, manage, and operate the Hospital. According to the agreement, MedGroup will provide the Chief Executive Officer (who will be appointed by the Hospital's Board of Directors) and the Chief Financial Officer.

Compensation and fees paid by the Hospital to MedGroup for 2009 were \$799,200. Payments in the amount of \$3,602,546 were made to Jewish Hospital and St. Mary's HealthCare, Inc., and its related entities for healthcare and other related services during 2009.

C. Termination Benefits

During the current year, the Hospital paid to five employees severance pay in the amount of \$6,457 and medical, dental and life insurance benefits in the amount of \$553 due to departmental closures. The hours paid to the employees ranged between 24 and 280 hours.

D. Fair Value Measurements

The Hospital has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statement of net assets are categorized based on the inputs to valuation techniques as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Hospital has the ability to access. Investments include mutual funds.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of U.S. government securities that trade infrequently and certificates of deposit.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Based upon the levels as defined the investments as of December 31, 2009, are classified as follows:

Hospital Investment Type	December 31, 2009	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets For Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase agreements	\$ 17,297,659	\$ -	\$ 17,297,659	\$ -
Certificates of deposit (Foundation)	1,000,000	-	1,000,000	-
Mutual funds	8,093,758	8,093,758	-	-
Totals	<u>\$ 26,391,417</u>	<u>\$ 8,093,758</u>	<u>\$ 18,297,659</u>	<u>\$ -</u>

E. Investment in Affiliated Companies

Rehabilitation Hospital

In 1993, the Hospital entered into an agreement with two other hospitals to establish and operate a rehabilitation hospital, Southern Indiana Rehab Hospitals (SIRH). In accordance with this agreement, each hospital invested \$5,500,000 for 33 1/3% equity interest in the rehabilitation hospital. The investment was made in the year 1993. The rehabilitation hospital began operation in 1994. The investment is recorded on the equity method. The Hospital's investment in affiliated companies is included in the "Other assets" category of the Statement of Net Assets.

Summarized financial information as of December 31, 2009, and for the year then ended from the audited financial statements of the Affiliated Company follows:

Current assets	\$ 5,870,526
Noncurrent assets	7,457,825
Current liabilities	1,931,078
Noncurrent liabilities	5,770,169
Stockholder's equity	5,627,104
Revenue	17,795,635
Net income	397,501

The Affiliated Company was paying the debt service on loans obtained by the participating members to finance their initial investment in the Affiliated Company. The Affiliated Company reported the amount due on the loan as a noncurrent liability and not in stockholder's equity. On April 26, 2001, the Affiliated Company issued bonds of \$10,550,000 to refinance the loans obtained by the participating members. Clark Memorial Hospital had provided a corporate guaranty on 25% of the credit facility.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges billed by Clark Memorial Hospital to SIRH for services and supplies were \$865,903 for 2009.

No equity distributions were received by Clark Memorial Hospital from the facility in 2009.

Cardiac Catheterization Facility

In 1996, the Hospital entered into an agreement with Jewish Hospital and St. Mary's Healthcare, Inc., to establish and operate a facility to provide cardiac catheterization services. In accordance with this agreement, each hospital has a 50% equity interest in the cardiac catheterization facility. The investment was made in the year 1996 and the facility began operations in 1996. The investment is recorded on the equity method. The Hospital's investment in affiliated companies is included in the "Other assets" category of the Statement of Net Assets.

Summarized financial information as of December 31, 2009, and for the year then ended from the audited financial statements of the Affiliated Company follows:

Current assets	\$ 1,895,112
Noncurrent assets	1,919,925
Current liabilities	732,127
Stockholder's equity	3,082,911
Revenue	9,713,284
Net loss	(624,770)

Equity distributions were received by Clark Memorial Hospital from the facility in 2009 in the amount of \$50,000.

Comprehensive Outpatient Rehabilitation Facility (CORF)

In 1999, the Hospital entered into an agreement with a related hospital to establish and operate a comprehensive outpatient rehabilitation facility. In accordance with this agreement, the Hospital has a 50% equity interest in the comprehensive outpatient rehabilitation facility. The comprehensive outpatient rehabilitation facility began operation in 1999. The investment is recorded on the equity method. The Hospital's investment in affiliated companies is included in the "Other assets" category of the Statement of Net Assets.

Summarized financial information as of December 31, 2009, and for the year then ended from the unaudited financial statements of the Affiliated Company follows:

Revenue	\$ 1,023,400
Net income	185,836

Amounts for balance sheet accounts are not presented because CORF's net assets are included in the Jewish Hospital and St. Mary's Healthcare Inc., combined balance sheet. No separate Statement of Net Assets is prepared for CORF.

The Hospital received rental income for the CORF facility from Frazier Rehab Center in the amount of \$14,642 in 2009.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Hospital is obligated by contract to remit one-half of all net losses from the operation of the CORF to Frazier Rehab Center, and Frazier Rehab Center shall pay to the Hospital one-half of all net profits from the operation of CORF.

Equity distributions were received by Clark Memorial Hospital from the facility in the amount of \$14,642 in 2009.

F. Pension Plan

Clark Memorial Hospital Retirement Plan

Plan Description

The Hospital has a defined benefit pension plan administered by Clark Memorial Hospital as authorized by IC 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:

Clark Memorial Hospital
P.O. Box 69
Jeffersonville, IN 47131-0069
Ph. (812) 283-2448

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 0% of annual covered payroll.

Annual Pension Cost

For 2009, the Hospital's annual pension cost of \$2,778,631 for the Pension Plan was not equal to the Hospital's actual contributions.

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

Annual required contribution	\$	2,835,326
Interest on net pension obligation		513,804
Adjustment to annual required contribution		<u>(570,499)</u>
Annual pension cost		2,778,631
Contributions made		<u>2,700,000</u>
Increase (decrease) in net pension obligation		78,631
Net pension obligation, beginning of year		<u>6,422,551</u>
Net pension obligation, end of year	\$	<u><u>6,501,182</u></u>
Contribution rates:		
Hospital	0%	
Plan members	0%	
Actuarial valuation date		01-01-09
Actuarial cost method		Projected unit credit
Amortization method		Level percentage of projected payroll, closed
Amortization period		35 years
Asset valuation method		Market value of trust assets

Actuarial Assumptions

Investment rate of return	8%
Projected future salary increases	5%

	Three Year Trend Information			
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Clark Memorial Hospital Retirement Plan	12-31-07	\$ 1,990,866	0%	\$ 6,473,181
	12-31-08	2,349,370	102%	6,422,551
	12-31-09	2,778,631	97%	6,501,182

CLARK MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of December 31, 2009, is as follows:

Retirement Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
Clark Memorial Hospital Retirement Plan	01-01-07	\$ 34,418,996	\$ 37,045,025	\$ (2,626,029)	93%	\$ 40,404,314	(6%)
	01-01-08	35,447,947	40,342,025	(4,894,078)	88%	44,121,144	(11%)
	01-01-09	36,496,663	44,707,737	(8,211,074)	82%	46,324,903	(18%)

The schedule of funding progress, presented as RSI for the above plans following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CLARK MEMORIAL HOSPITAL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Clark Memorial Hospital Retirement 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)
01-01-07	\$ 34,418,996	\$ 37,045,025	\$ (2,626,029)	93%	\$ 40,404,314	(6%)
01-01-08	35,447,947	40,342,025	(4,894,078)	88%	44,121,144	(11%)
01-01-09	36,496,663	44,707,737	(8,211,074)	82%	46,324,903	(18%)

CLARK MEMORIAL HOSPITAL
 COMBINING STATEMENT OF NET ASSETS - HOSPITAL AND BLENDED COMPONENT UNITS
 Year Ended December 31, 2009
 (In Thousands)

	<u>Hospital</u>	<u>Clark Physician Group (CPG)</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total Primary Government</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 16,890	\$ 280	\$ 646	\$ -	\$ 17,816
Short-term investments	3,839	-	-	-	3,839
Cash with fiscal agent	1,436	-	-	-	1,436
Patient accounts receivable, net of estimated uncollectibles of \$43,370 (Hospital \$42,802, Clark Physician Group \$568)	21,213	945	-	-	22,158
Other receivables	15,869	-	-	(14,341)	1,528
Inventories	795	-	-	-	795
Prepaid expenses	2,794	63	-	-	2,857
Noncurrent cash and investments:					
Internally designated	5,304	-	-	-	5,304
Internally designated - debt service reserve	4,201	-	-	-	4,201
Other long-term investments	-	-	550	-	550
Restricted by contributors and grantors	-	-	62	-	62
Joint venture	54	-	-	-	54
Capital assets:					
Land	6,433	-	-	-	6,433
Construction in progress	20,750	-	-	-	20,750
Depreciable capital assets, net of accumulated depreciation	58,509	8,831	-	-	67,340
Deferred financing costs	703	-	-	-	703
Other assets	3,625	-	-	-	3,625
Total assets	<u>\$ 162,415</u>	<u>\$ 10,119</u>	<u>\$ 1,258</u>	<u>\$ (14,341)</u>	<u>\$ 159,451</u>
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Current maturities of long-term debt	\$ 3,226	\$ -	\$ -	\$ -	\$ 3,226
Current maturities of capital leases	930	-	-	-	930
Short-term liabilities	424	-	-	-	424
Due to Clark Memorial Hospital	-	14,302	39	(14,341)	-
Accounts payable	5,448	174	-	-	5,622
Accrued expenses	12,744	312	-	-	13,056
Estimated third-party payor settlements	1,245	-	-	-	1,245
Long-term debt, net of current maturities, net of unamortized loss on refunding	53,972	-	-	-	53,972
Other long-term liabilities	357	-	-	-	357
Total liabilities	<u>78,346</u>	<u>14,788</u>	<u>39</u>	<u>(14,341)</u>	<u>78,832</u>
Net assets:					
Invested in capital assets, net of related debt	27,139	-	-	-	27,139
Restricted:					
Expendable for specific operating activities	-	-	19	-	19
Nonexpendable permanent endowments	-	-	43	-	43
Unrestricted	56,930	(4,669)	1,157	-	53,418
Total net assets	<u>84,069</u>	<u>(4,669)</u>	<u>1,219</u>	<u>-</u>	<u>80,619</u>
Total liabilities and net assets	<u>\$ 162,415</u>	<u>\$ 10,119</u>	<u>\$ 1,258</u>	<u>\$ (14,341)</u>	<u>\$ 159,451</u>

CLARK MEMORIAL HOSPITAL
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - HOSPITAL AND BLENDED COMPONENT UNITS
 Year Ended December 31, 2009
 (In Thousands)

	<u>Hospital</u>	<u>Clark Physician Group (CPG)</u>	<u>Foundation</u>	<u>Total Primary Government</u>
Operating revenues:				
Net patient service revenue (net of provision for bad debt)	\$ 129,934	\$ 6,616	\$ -	\$ 136,550
Other	<u>2,494</u>	<u>-</u>	<u>390</u>	<u>2,884</u>
 Total operating revenues	 <u>132,428</u>	 <u>6,616</u>	 <u>390</u>	 <u>139,434</u>
Operating expenses:				
Personnel	52,754	6,943	-	59,697
Benefits	12,968	731	-	13,699
Supplies	24,244	635	2	24,881
Purchased services	16,963	1,413	141	18,517
Professional fees	2,073	82	-	2,155
Other expenses	5,704	830	29	6,563
Depreciation and amortization	<u>9,458</u>	<u>639</u>	<u>-</u>	<u>10,097</u>
 Total operating expenses	 <u>124,164</u>	 <u>11,273</u>	 <u>172</u>	 <u>135,609</u>
 Operating income	 <u>8,264</u>	 <u>(4,657)</u>	 <u>218</u>	 <u>3,825</u>
Nonoperating revenues (expenses):				
Investment income	835	-	34	869
Unrealized holding loss on swap contract	1,326	-	-	1,326
Interest expense	(2,182)	(17)	-	(2,199)
Non-operating gains	390	5	-	395
Grants and contributions	-	-	(170)	(170)
Loss on investment in affiliated companies	<u>(173)</u>	<u>-</u>	<u>-</u>	<u>(173)</u>
 Total nonoperating revenues (expenses)	 <u>196</u>	 <u>(12)</u>	 <u>(136)</u>	 <u>48</u>
 Excess of revenues over expenses	 8,460	 (4,669)	 82	 3,873
 Net assets beginning of the year	 <u>75,609</u>	 <u>-</u>	 <u>1,137</u>	 <u>76,746</u>
 Net assets end of the year	 <u>\$ 84,069</u>	 <u>\$ (4,669)</u>	 <u>\$ 1,219</u>	 <u>\$ 80,619</u>

CLARK MEMORIAL HOSPITAL
COMBINING STATEMENT OF CASH FLOWS - HOSPITAL AND BLENDED COMPONENT UNITS
Year Ended December 31, 2009
(In Thousands)

	<u>Hospital</u>	<u>Clark Physician Group (CPG)</u>	<u>Foundation</u>	<u>Total Primary Government</u>
Cash flows from operating activities:				
Receipts from and on behalf of patients	\$ 130,945	\$ 5,671	\$ -	\$ 136,616
Payments to suppliers and contractors	(51,213)	(2,537)	(170)	(53,920)
Payments to employees	(65,487)	(7,674)	-	(73,161)
Other receipts and payments, net	<u>(2,032)</u>	<u>14,302</u>	<u>390</u>	<u>12,660</u>
Net cash provided by operating activities	<u>12,213</u>	<u>9,762</u>	<u>220</u>	<u>22,195</u>
Cash flows from noncapital financing activities:				
Other	<u>390</u>	<u>-</u>	<u>-</u>	<u>390</u>
Net cash provided by noncapital financing activities	<u>390</u>	<u>-</u>	<u>-</u>	<u>390</u>
Cash flows from capital and related financing activities:				
Bond issuance costs	(1,085)	-	-	(1,085)
Acquisition and construction of capital assets	(11,482)	(9,470)	-	(20,952)
Proceeds from sale of bonds	52,848	-	-	52,848
Capital grants and contributions	-	5	(170)	(165)
Principal paid on long-term debt	(30,734)	-	-	(30,734)
Interest paid on long-term debt	<u>(2,311)</u>	<u>(17)</u>	<u>-</u>	<u>(2,328)</u>
Net cash used by capital and related financing activities	<u>7,236</u>	<u>(9,482)</u>	<u>(170)</u>	<u>(2,416)</u>
Cash flows from investing activities:				
Interest and dividends on investments	835	-	34	869
Unrealized loss on swap contract	(3,439)	-	-	(3,439)
Decrease in investment in affiliated company	147	-	-	147
Purchase of investments	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
Net cash used by investing activities	<u>(2,457)</u>	<u>-</u>	<u>384</u>	<u>(2,073)</u>
Net increase in cash and cash equivalents	<u>17,382</u>	<u>280</u>	<u>434</u>	<u>18,096</u>
Cash and cash equivalents at beginning of year	<u>14,342</u>	<u>-</u>	<u>274</u>	<u>14,616</u>
Cash and cash equivalents at end of year	<u>\$ 31,724</u>	<u>\$ 280</u>	<u>\$ 708</u>	<u>\$ 32,712</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 22,165	\$ 280	\$ 646	\$ 23,091
Restricted cash and cash equivalents	<u>9,559</u>	<u>-</u>	<u>62</u>	<u>9,621</u>
Total cash and cash equivalents	<u>\$ 31,724</u>	<u>\$ 280</u>	<u>\$ 708</u>	<u>\$ 32,712</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 8,264	\$ (4,657)	\$ 218	3,825
Adjustments to reconcile operating income to net cash flows used in operating activities:				
Depreciation and amortization	9,458	639	-	10,097
Provision for bad debts	25,017	267	-	25,284
Patient accounts receivable	(24,006)	(1,212)	-	(25,218)
Supplies and other current assets	(696)	(63)	-	(759)
Estimated third-party payor settlements	(4,880)	-	-	(4,880)
Other assets	35	-	-	35
Increase (decrease) in current liabilities:				
Accounts payable and accrued expenses	(1,533)	486	-	(1,047)
Other current liabilities	-	14,302	2	14,304
Other long term liabilities	235	-	-	235
Estimated third-party payor settlements	<u>319</u>	<u>-</u>	<u>-</u>	<u>319</u>
Net cash provided in operating activities	<u>\$ 12,213</u>	<u>\$ 9,762</u>	<u>\$ 220</u>	<u>\$ 22,195</u>

CLARK MEMORIAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2010, with Martin Padgett, President and Chief Executive Officer; Kirk Strack, Chief Financial Officer and Treasurer; Todd Hoffman, Controller; and Debra E. Meyer, Chairman of the Hospital Board. Our audit disclosed no material items that warrant comment at this time.