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**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, 2009 to December 31, 2009



**FILED**  
09/28/2010



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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Marvin L. Baird	01-01-09 to 12-31-10
Treasurer	William G. Seck (Vacant) Dane E. Wheeler	01-01-09 to 07-27-09 07-28-09 to 09-13-09 09-14-09 to 12-31-10
Chairman of the Hospital Board	Robert E. Judge, M.D.	01-01-09 to 12-31-10
President of the Board of County Commissioners	Douglas L. Bauman	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the business-type activities, and the aggregate discretely presented component unit of the Adams County 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 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 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, 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 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 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.

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

September 13, 2010

ADAMS COUNTY MEMORIAL HOSPITAL  
STATEMENT OF NET ASSETS  
December 31, 2009

<u>Assets</u>	<u>Primary Government</u>	<u>Discrete Component Unit</u>	<u>Total Reporting Entity</u>
Current assets:			
Cash and cash equivalents	\$ 10,311,861	\$ 94,926	\$ 10,406,787
Patient accounts receivable, net of estimated uncollectibles of \$4,627,144	7,498,340	-	7,498,340
Supplies and other current assets	1,779,349	638	1,779,987
Noncurrent cash and investments:			
Internally designated	3,817,989	-	3,817,989
Held by trustee for debt service	5,714,545	-	5,714,545
Capital assets:			
Land and construction in progress	823,750	-	823,750
Depreciable capital assets, net of accumulated depreciation	49,469,722	-	49,469,722
Other assets	<u>14,964</u>	<u>12,893</u>	<u>27,857</u>
 Total assets	 <u>\$ 79,430,520</u>	 <u>\$ 108,457</u>	 <u>\$ 79,538,977</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities:			
Current maturities of long-term debt	\$ 2,883,754	\$ -	\$ 2,883,754
Accounts payable and accrued expenses	936,372	-	936,372
Estimated third-party payor settlements	508,077	-	508,077
Other current liabilities	5,184,484	-	5,184,484
Long-term debt, net of current maturities	40,584,337	-	40,584,337
Other long-term liabilities	<u>1,036,505</u>	<u>-</u>	<u>1,036,505</u>
 Total liabilities	 <u>51,133,529</u>	 <u>-</u>	 <u>51,133,529</u>
Net assets:			
Invested in capital assets, net of related debt	6,825,381	-	6,825,381
Restricted:			
For debt service	5,714,545	-	5,714,545
Expendable for specific operating activities	31,964	-	31,964
Nonexpendable permanent endowments	146,760	-	146,760
Unrestricted	<u>15,578,341</u>	<u>108,457</u>	<u>15,686,798</u>
 Total net assets	 <u>28,296,991</u>	 <u>108,457</u>	 <u>28,405,448</u>
 Total liabilities and net assets	 <u>\$ 79,430,520</u>	 <u>\$ 108,457</u>	 <u>\$ 79,538,977</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, 2009

	Primary Government	Discrete Component Unit	Total Reporting Entity
Operating revenues:			
Net patient service revenue (net of provision for bad debt)	\$ 54,839,107	\$ -	\$ 54,839,107
Other	1,278,772	6,616	1,285,388
Total operating revenues	56,117,879	6,616	56,124,495
Operating expenses:			
Salaries and benefits	32,541,025	-	32,541,025
Medical supplies and drugs	4,215,822	-	4,215,822
Insurance	349,619	-	349,619
Other supplies	5,649,685	-	5,649,685
Depreciation and amortization	4,617,145	-	4,617,145
Other	6,629,337	4,355	6,633,692
Total operating expenses	54,002,633	4,355	54,006,988
Operating income	2,115,246	2,261	2,117,507
Nonoperating revenues (expenses):			
Investment income	233,650	1,511	235,161
Interest expense	(2,052,259)	-	(2,052,259)
Other	(10,080)	1,465	(8,615)
Total nonoperating revenues (expenses)	(1,828,689)	2,976	(1,825,713)
Excess of revenues over expenses before capital grants and contributions	286,557	5,237	291,794
Capital grants and contributions	2,001,854	-	2,001,854
Increase in net assets	2,288,411	5,237	2,293,648
Net assets beginning of the year	26,008,580	103,220	26,111,800
Net assets end of the year	\$ 28,296,991	\$ 108,457	\$ 28,405,448

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, 2009

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 59,331,695
Payments to suppliers and contractors	(19,482,942)
Payments to employees	<u>(32,442,117)</u>
Net cash provided by operating activities	<u>7,406,636</u>
Cash flows from capital and related financing activities:	
Capital grants and contributions	2,001,854
Principal paid on long-term debt	(3,825,601)
Interest paid on long-term debt	(2,077,921)
Proceeds from loan	442,260
Purchase of capital assets	<u>(2,202,063)</u>
Net cash used by capital and related financing activities	<u>(5,661,471)</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>233,650</u>
Net increase in cash and cash equivalents	1,978,815
Cash and cash equivalents at beginning of year	<u>17,865,580</u>
Cash and cash equivalents at end of year	<u>\$ 19,844,395</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 10,311,861
Restricted cash and cash equivalents	<u>9,532,534</u>
Total cash and cash equivalents	<u>\$ 19,844,395</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,115,246
Adjustments to reconcile operating income to net cash flows provided by operating activities:	
Depreciation and amortization	4,617,145
Decrease in current assets:	
Patient accounts receivable	1,349,445
Supplies and other current assets	108,453
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	(562,286)
Other current liabilities	98,908
Estimated third-party payor settlements	(181,923)
Other liabilities related to operating activities	<u>(138,352)</u>
Net cash provided by operating activities	<u>\$ 7,406,636</u>

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 sixty-one bed nursing home. CCRC provides housing and other related services to residents through the operation of a retirement facility containing forty-two villas and forty-eight apartments. The assisted living community consists of thirty-four apartments. Adams Health Network is a financial entity created to accumulate and then assign shared costs to each of the six medical facilities. Certain administrative functions are performed for all entities. These common functions are accounted for in the combining financial statements as a home office named Adams Health Network. The Physicians Office Practices are owned and operated by the hospital. There are various office buildings that are leased to numerous physicians. In addition, the Hospital employs and operates a family medical practice and an orthopedic surgery practice.

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.

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 ninety 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.

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.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as non-operating 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.

ADAMS COUNTY MEMORIAL HOSPITAL  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 1,000	Straight-line	3 to 40
Buildings	1,000	Straight-line	5 to 40
Fixed equipment	1,000	Straight-line	3 to 29
Major moveable equipment	1,000	Straight-line	3 to 23
Clinics	1,000	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, contributors, or enabling legislation 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

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.G.

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. 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. Premium Revenue

The Hospital had agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Hospital receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by the Hospital. In addition, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

J. 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.

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

K. Supplies

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

L. Compensated Absences

Paid Time Off (PTO)

All employees earn PTO at rates from eighteen days to thirty-three days per year based upon the number of years of service. PTO accumulates to a maximum of sixty days.

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

M. 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.

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 16-22-3-16 allows a Hospital Governing Board to deposit public funds in a financial institution. The Hospital does not have a deposit policy for custodial credit risk. At December 31, 2009, the Hospital had deposit balances in the amount of \$14,129,850.

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, 2009, the Hospital had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 2,790,767
Investment pools	<u>2,709,745</u>
Total	<u>\$ 5,500,512</u>

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.

ADAMS COUNTY MEMORIAL HOSPITAL  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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 formal investment policy for custodial credit risk for investments.

The Hospital Foundation has not adopted an investment policy for custodial credit risk for investments.

The following investments held by the Hospital were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in or not in the Hospital's name:

Investment Type	Not in the Hospital's Name
U.S. treasuries and securities	\$ 2,790,767
Investment pools	<u>2,709,745</u>
Total	<u><u>\$ 5,500,512</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk for investments.

The Hospital Foundation has not adopted a formal investment policy for interest rate risk.

Investment Type	Investment Maturities (in Years) Less Than 1
U.S. treasuries and securities	\$ 2,790,767
Investment pools	<u>2,709,745</u>
Total	<u><u>\$ 5,500,512</u></u>

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk for investments.

The Hospital Foundation has not adopted a policy for credit risk.

Standard and Poor's Rating	Moody's Rating	Investment Pools
AA	Aa	\$ 2,709,745

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government'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.

The Hospital Foundation has not adopted a policy for the concentration of credit risk.

Foreign Currency Risk

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

The Hospital Foundation has not adopted 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:

Patient Accounts Receivable

Receivable from patients and their insurance carriers	\$ 7,273,565
Receivable from Medicare	3,668,175
Receivable from Medicaid	1,183,744
Total patient accounts receivable	12,125,484
Less allowance for uncollectible amounts	4,627,144
Patient accounts receivable, net	\$ 7,498,340

Accounts Payable and Accrued Expenses

Payable to suppliers	\$ 936,372
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ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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	\$ 811,097	\$ 7,653	\$ -	\$ 818,750
Construction in progress	398,737	5,000	398,737	5,000
Total capital assets, not being depreciated	<u>1,209,834</u>	<u>12,653</u>	<u>398,737</u>	<u>823,750</u>
Capital assets, being depreciated:				
Land improvements	1,969,425	19,992	115	1,989,302
Buildings	49,215,239	1,670,206	197,530	50,687,915
Fixed equipment	4,336,497	131,480	-	4,467,977
Major moveable equipment	22,406,646	839,228	4,269,406	18,976,468
Clinics	5,090,776	80,419	281,011	4,890,184
Totals	<u>83,018,583</u>	<u>2,741,325</u>	<u>4,748,062</u>	<u>81,011,846</u>
Less accumulated depreciation for:				
Land improvements	971,162	170,227	115	1,141,274
Buildings	12,583,013	1,963,474	72,634	14,473,853
Fixed equipment	755,017	228,448	-	983,465
Major moveable equipment	14,914,279	2,089,012	4,253,599	12,749,692
Clinics	2,296,403	165,984	268,547	2,193,840
Totals	<u>31,519,874</u>	<u>4,617,145</u>	<u>4,594,895</u>	<u>31,542,124</u>
Total capital assets, being depreciated, net	<u>51,498,709</u>	<u>(1,875,820)</u>	<u>153,167</u>	<u>49,469,722</u>
Total primary government capital assets, net	<u>\$ 52,708,543</u>	<u>\$(1,863,167)</u>	<u>\$ 551,904</u>	<u>\$ 50,293,472</u>

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>
Woodcrest Kitchen Renovation	<u>\$ 5,000</u>	<u>\$ 113,052</u>

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$510,821. The following is a schedule by years of future minimum rental payments as of year end:

2010	\$	411,384
2011		387,900
2012		387,900
2013		298,425
2014		23,500
2015-2019		72,000
2020-2024		72,000
2025-2029		72,000
2026-2030		<u>30,000</u>
 Total	 \$	 <u><u>1,755,109</u></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:

2010	\$	537,754
2011		542,207
2012		<u>387,544</u>
 Total minimum lease payments		 1,467,505
 Less amount representing interest		 <u>76,455</u>
 Present value of net minimum lease payments	 \$	 <u><u>1,391,050</u></u>

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

Major moveable equipment	\$	<u><u>3,207,408</u></u>
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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:

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rates	Balance at December 31
2003 Hospital construction bonds	3.725% to 5.35%	<u>\$ 37,485,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2010	\$ 890,000	\$ 1,799,192
2011	925,000	1,764,809
2012	960,000	1,727,322
2013	1,000,000	1,687,143
2014	1,040,000	1,645,323
2015-2019	5,940,000	7,427,163
2020-2024	7,610,000	5,705,160
2025-2029	9,595,000	3,656,233
2030-2034	9,525,000	1,004,267
Totals	\$ 37,485,000	\$ 26,416,612

2. Loans Payable

The Hospital has entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$588,850, are as follows:

2010	\$ 1,675,136
2011	1,306,637
2012	1,199,000
2013	226,568
2014	151,381
2015-2019	300,000
2020-2024	300,000
2025-2029	22,169
Total	\$ 5,180,891

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<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	\$ 38,350,000	\$ -	\$ 865,000	\$ 37,485,000	\$ 890,000
Capital leases	1,877,872	-	486,822	1,391,050	495,060
Loans payable	<u>6,623,560</u>	<u>442,260</u>	<u>2,473,779</u>	<u>4,592,041</u>	<u>1,498,694</u>
Total long-term liabilities	<u>\$ 46,851,432</u>	<u>\$ 442,260</u>	<u>\$ 3,825,601</u>	<u>\$ 43,468,091</u>	<u>\$ 2,883,754</u>

G. Endowments and Restricted Net Assets

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

	<u>2009</u>
Hospital:	
Debt service	\$ 5,714,545
Woodcrest Retirement Community:	
Specific operating activities	<u>31,964</u>
Total expendable, restricted net assets	<u>\$ 5,746,509</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:

	<u>2009</u>
Woodcrest Retirement Community	<u>\$ 146,760</u>

H. 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:

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 services rendered to Medicaid program beneficiaries are reimbursed based on diagnosis. Outpatient services are reimbursed based on a fee schedule. 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 60 percent and 10 percent, respectively, of the Hospital's net patient revenue for the year ended 2009. 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 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.

I. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$600,000 for 2009.

J. 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     \$ 3,817,989

K. Cash Value of Life Insurance

At December 31, 2009, the Hospital was the owner and beneficiary of the following life insurance policies on key employees as follows:

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Insured	Face Value	Cash Value
Executive Director	\$ 471,163	\$ 201,598

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.

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:

	2009	2008
Unpaid claims, beginning of fiscal year	\$ 350,000	\$ 75,000
Incurred claims and changes in estimates	4,939,315	6,584,377
Claim payments	(4,703,315)	(6,309,377)
Unpaid claims, end of fiscal year	\$ 586,000	\$ 350,000

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Revenues Pledged

Revenues Pledged in Connection with Component Unit Debt

The Hospital has pledged, as security for bonds issued by the Indiana Bond Bank, a portion of the Hospital's revenues. The bonds, issued by the Hospital in 2003 in the amount of \$40,000,000, are payable through January 15, 2033. The Hospital has committed to appropriate each year, from the Hospital's revenue, amounts sufficient to cover the principal and interest requirements on the Hospital's debt. The Hospital has pledged, as the sole security for the bonds, the annual appropriations from the Hospital. Annual principal and interest payments are expected to equal less than 5 percent of the revenue of the Hospital.

D. 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) 426-7800

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 4.14% 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	\$ 630,157
Interest on net pension obligation	(66,760)
Adjustment to annual required contribution	135,788
Annual pension cost	699,185
Contributions made	915,000
Decrease in net pension obligation	(215,815)
Net pension obligation, beginning of year	(953,716)
Net pension obligation, end of year	\$ (1,169,531)
Contribution rates:	
Hospital	4.87%
Plan members	0%
Actuarial valuation date	01-01-09
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
<u>Actuarial Assumptions</u>	
Investment rate of return	7.0%
Projected future salary increases:	
Total	5.0%
Attributed to inflation	3.0%
Attributed to merit/seniority	2.0%
Cost-of-living adjustments	N/A

N/A = not available

ADAMS COUNTY MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Employees' Retirement Plan	12-31-06	\$ 770,605	97.0%	\$ (895,975)
	12-31-07	722,259	108.0%	(953,716)
	12-31-08	699,185	131.0%	(1,169,531)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of 01-1-09, the most recent actuarial valuation date is as follows:

	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)</u>
Employees' Retirement Plan	\$ 9,309,101	\$ 13,285,387	\$ (3,976,286)	70%	\$ 17,522,809	(23%)

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to 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.

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)
01-01-07	\$ 11,115,371	\$ 11,945,420	\$ (830,049)	93%	\$ 16,064,906	(5%)

ADAMS COUNTY MEMORIAL HOSPITAL  
COMBINING STATEMENT OF NET ASSETS  
December 31, 2009

<u>Assets</u>	<u>Hospital</u>	<u>Woodcrest Nursing Home</u>	<u>Woodcrest Retirement Community</u>	<u>Evergreen Assisted Living</u>	<u>Village of Heritage Nursing Home</u>	<u>Adams Health Network</u>	<u>Physicians Office Practices</u>	<u>Elimination</u>	<u>Total Primary Government</u>
<b>Current assets:</b>									
Cash and cash equivalents	\$ 232,598	\$ 4,611,432	\$ 576,779	\$ 50	\$ 4,890,802	\$ -	\$ 200	\$ -	\$ 10,311,861
Patient accounts receivable	10,822,451	776,890	(325)	6,544	227,232	-	292,692	-	12,125,484
Allowance for uncollectible accounts	(4,128,867)	(400,340)	-	-	(68,668)	-	(29,269)	-	(4,627,144)
Supplies and other current assets	1,340,662	34,246	10,022	7,906	18,780	221,554	146,179	-	1,779,349
<b>Noncurrent cash and investments:</b>									
Internally designated	3,817,989	-	-	-	-	-	-	-	3,817,989
Held by trustee for debt service	5,714,545	-	-	-	-	-	-	-	5,714,545
<b>Capital assets:</b>									
Land and construction in progress	201,807	66,396	122,810	132,300	135,000	-	165,437	-	823,750
Depreciable capital assets, net of accumulated depreciation	33,719,983	2,538,154	5,815,139	2,516,633	2,153,405	30,064	2,696,344	-	49,469,722
Due from component units	21,028,372	1,684,911	-	48,386	1,495,609	1,718,558	-	(25,975,836)	-
Other assets	-	3,220	11,744	-	-	-	-	-	14,964
<b>Total assets</b>	<b><u>\$ 72,749,540</u></b>	<b><u>\$ 9,314,909</u></b>	<b><u>\$ 6,536,169</u></b>	<b><u>\$ 2,711,819</u></b>	<b><u>\$ 8,852,160</u></b>	<b><u>\$ 1,970,176</u></b>	<b><u>\$ 3,271,583</u></b>	<b><u>\$(25,975,836)</u></b>	<b><u>\$ 79,430,520</u></b>
<b>Liabilities and Net Assets</b>									
<b>Current liabilities:</b>									
Current maturities of long-term debt	\$ 1,497,692	\$ 251,250	\$ 917,500	\$ 95,900	\$ -	\$ -	\$ 121,412	\$ -	\$ 2,883,754
Accounts payable and accrued expenses	673,256	103,275	22,091	8,617	72,948	39,623	16,562	-	936,372
Estimated third-party payor settlements	508,077	-	-	-	-	-	-	-	508,077
Due to component units	-	3,752,949	3,898,708	4,295,914	8,048,828	1,930,553	4,048,884	(25,975,836)	-
Other current liabilities	4,621,511	431,887	13,883	174	113,999	-	3,030	-	5,184,484
Long-term debt, net of current maturities	38,438,837	401,439	1,470,493	-	-	-	273,568	-	40,584,337
Other long-term liabilities	-	-	1,036,505	-	-	-	-	-	1,036,505
<b>Total liabilities</b>	<b><u>45,739,373</u></b>	<b><u>4,940,800</u></b>	<b><u>7,359,180</u></b>	<b><u>4,400,605</u></b>	<b><u>8,235,775</u></b>	<b><u>1,970,176</u></b>	<b><u>4,463,456</u></b>	<b><u>(25,975,836)</u></b>	<b><u>51,133,529</u></b>
<b>Net assets:</b>									
Invested in capital assets, net of related debt	(6,014,739)	1,951,861	3,549,956	2,553,033	2,288,405	30,064	2,466,801	-	6,825,381
Restricted:									
For debt service	5,714,545	-	-	-	-	-	-	-	5,714,545
Expendable for specific operating activities	-	-	31,964	-	-	-	-	-	31,964
Nonexpendable permanent endowments	-	-	146,760	-	-	-	-	-	146,760
Unrestricted	<u>27,310,361</u>	<u>2,422,248</u>	<u>(4,551,691)</u>	<u>(4,241,819)</u>	<u>(1,672,020)</u>	<u>(30,064)</u>	<u>(3,658,674)</u>	<u>-</u>	<u>15,578,341</u>
<b>Total net assets</b>	<b><u>27,010,167</u></b>	<b><u>4,374,109</u></b>	<b><u>(823,011)</u></b>	<b><u>(1,688,786)</u></b>	<b><u>616,385</u></b>	<b><u>-</u></b>	<b><u>(1,191,873)</u></b>	<b><u>-</u></b>	<b><u>28,296,991</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 72,749,540</u></b>	<b><u>\$ 9,314,909</u></b>	<b><u>\$ 6,536,169</u></b>	<b><u>\$ 2,711,819</u></b>	<b><u>\$ 8,852,160</u></b>	<b><u>\$ 1,970,176</u></b>	<b><u>\$ 3,271,583</u></b>	<b><u>\$(25,975,836)</u></b>	<b><u>\$ 79,430,520</u></b>

ADAMS COUNTY MEMORIAL HOSPITAL  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Year Ended December 31, 2009

	Hospital	Woodcrest Nursing Home	Woodcrest Retirement Community	Evergreen Assisted Living	Village of Heritage Nursing Home	Adams Health Network	Physicians Office Practices	Elimination	Total Primary Government
Operating revenues:									
Net patient service revenue (net of provision for bad debt)	\$ 40,406,108	\$ 8,013,145	\$ 1,009,494	\$ 716,583	\$ 4,257,471	\$ -	\$ 436,306	\$ -	\$ 54,839,107
Other	1,017,868	40,398	18,239	720	41,399	2,104,371	160,148	(2,104,371)	1,278,772
<b>Total operating revenues</b>	<b>41,423,976</b>	<b>8,053,543</b>	<b>1,027,733</b>	<b>717,303</b>	<b>4,298,870</b>	<b>2,104,371</b>	<b>596,454</b>	<b>(2,104,371)</b>	<b>56,117,879</b>
Operating expenses:									
Salaries and benefits	22,974,878	4,661,916	90,353	394,800	2,395,897	1,156,780	866,401	-	32,541,025
Medical supplies and drugs	4,057,265	81,664	-	10,700	66,193	-	-	-	4,215,822
Insurance	264,386	31,379	6,300	6,152	22,513	18,889	-	-	349,619
Other supplies	4,086,813	640,607	218,367	89,354	401,248	165,897	47,399	-	5,649,685
Depreciation and amortization	3,646,302	172,703	254,514	212,763	101,435	63,444	165,984	-	4,617,145
Other	6,484,507	646,431	285,834	124,488	290,781	622,048	279,619	(2,104,371)	6,629,337
<b>Total operating expenses</b>	<b>41,514,151</b>	<b>6,234,700</b>	<b>855,368</b>	<b>838,257</b>	<b>3,278,067</b>	<b>2,027,058</b>	<b>1,359,403</b>	<b>(2,104,371)</b>	<b>54,002,633</b>
Operating income (loss)	(90,175)	1,818,843	172,365	(120,954)	1,020,803	77,313	(762,949)	-	2,115,246
Nonoperating revenues (expenses):									
Investment income	155,669	20,807	7,795	-	49,379	-	-	-	233,650
Interest expense	(1,837,946)	(16,782)	(61,370)	(4,309)	(22,575)	(77,313)	(31,964)	-	(2,052,259)
Other	-	(1,074)	(3,918)	-	(5,088)	-	-	-	(10,080)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,682,277)</b>	<b>2,951</b>	<b>(57,493)</b>	<b>(4,309)</b>	<b>21,716</b>	<b>(77,313)</b>	<b>(31,964)</b>	<b>-</b>	<b>(1,828,689)</b>
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions	(1,772,452)	1,821,794	114,872	(125,263)	1,042,519	-	(794,913)	-	286,557
Capital grants and contributions	2,001,854	-	-	-	-	-	-	-	2,001,854
Increase (decrease) in net assets	229,402	1,821,794	114,872	(125,263)	1,042,519	-	(794,913)	-	2,288,411
Net assets beginning of the year	26,780,765	2,552,315	(937,883)	(1,563,523)	(426,134)	-	(396,960)	-	26,008,580
<b>Net assets end of the year</b>	<b>\$ 27,010,167</b>	<b>\$ 4,374,109</b>	<b>\$ (823,011)</b>	<b>\$ (1,688,786)</b>	<b>\$ 616,385</b>	<b>\$ -</b>	<b>\$ (1,191,873)</b>	<b>\$ -</b>	<b>\$ 28,296,991</b>

ADAMS COUNTY MEMORIAL HOSPITAL  
 COMBINING STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS  
 Year Ended December 31, 2009

	Hospital	Woodcrest Nursing Home	Woodcrest Retirement Community	Evergreen Assisted Living	Village of Heritage Nursing Home	Adams Health Network	Physicians Office Practices	Elimination	Total Primary Government
<b>Cash flows from operating activities:</b>									
Receipts from and on behalf of patients	\$ 42,766,182	\$ 7,934,351	\$ 1,028,962	\$ 729,342	\$ 4,359,123	\$ 2,104,371	\$ 409,364	\$ -	\$ 59,331,695
Payments to suppliers and contractors	(15,419,348)	(1,411,273)	(673,910)	(236,956)	(816,229)	(456,442)	(468,784)	-	(19,482,942)
Payments to employees	(22,764,602)	(4,727,282)	(90,353)	(394,800)	(2,441,899)	(1,156,780)	(866,401)	-	(32,442,117)
Interfund transactions	(1,417,090)	136,596	336,456	93,259	20,624	(320,328)	1,150,483	-	-
<b>Net cash provided by operating activities</b>	<b>3,165,142</b>	<b>1,932,392</b>	<b>601,155</b>	<b>190,845</b>	<b>1,121,619</b>	<b>170,821</b>	<b>224,662</b>	<b>-</b>	<b>7,406,636</b>
<b>Cash flows from capital and related financing activities:</b>									
Capital grants and contributions	2,001,854	-	-	-	-	-	-	-	2,001,854
Principal paid on long-term debt	(1,483,751)	(201,000)	(734,000)	(186,100)	(1,104,400)	-	(116,350)	-	(3,825,601)
Interest paid on long-term debt	(1,850,318)	(19,185)	(70,181)	(4,745)	(23,575)	(77,313)	(32,604)	-	(2,077,921)
Proceeds from loan	442,260	-	-	-	-	-	-	-	442,260
Purchase of capital assets	(1,994,751)	(25,070)	-	-	(13,126)	(93,508)	(75,608)	-	(2,202,063)
<b>Net cash used by capital and related financing activities</b>	<b>(2,884,706)</b>	<b>(245,255)</b>	<b>(804,181)</b>	<b>(190,845)</b>	<b>(1,141,101)</b>	<b>(170,821)</b>	<b>(224,562)</b>	<b>-</b>	<b>(5,661,471)</b>
<b>Cash flows from investing activities:</b>									
Interest and dividends on investments	155,669	20,807	7,795	-	49,379	-	-	-	233,650
<b>Net increase in cash and cash equivalents</b>	<b>436,105</b>	<b>1,707,944</b>	<b>(195,231)</b>	<b>-</b>	<b>29,897</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>1,978,815</b>
Cash and cash equivalents at beginning of year	9,329,027	2,903,488	772,010	50	4,860,905	-	100	-	17,865,580
<b>Cash and cash equivalents at end of year</b>	<b>\$ 9,765,132</b>	<b>\$ 4,611,432</b>	<b>\$ 576,779</b>	<b>\$ 50</b>	<b>\$ 4,890,802</b>	<b>\$ -</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ 19,844,395</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>									
Cash and cash equivalents in current assets	\$ 232,598	\$ 4,611,432	\$ 576,779	\$ 50	\$ 4,890,802	\$ -	\$ 200	\$ -	\$ 10,311,861
Restricted cash and cash equivalents	9,532,534	-	-	-	-	-	-	-	9,532,534
<b>Total cash and cash equivalents</b>	<b>\$ 9,765,132</b>	<b>\$ 4,611,432</b>	<b>\$ 576,779</b>	<b>\$ 50</b>	<b>\$ 4,890,802</b>	<b>\$ -</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ 19,844,395</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>									
Operating income (loss)	\$ (90,175)	\$ 1,818,843	\$ 172,365	\$ (120,954)	\$ 1,020,803	\$ 77,313	\$ (762,949)	\$ -	\$ 2,115,246
<b>Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:</b>									
Depreciation and amortization	3,646,302	172,703	254,514	212,763	101,435	63,444	165,984	-	4,617,145
<b>(Increase) decrease in current assets:</b>									
Patient accounts receivable	1,342,206	120,808	1,229	12,039	60,253	-	(187,090)	-	1,349,445
Supplies and other current assets	(84,385)	(15,951)	(3,722)	(1,754)	(9,180)	364,124	(140,679)	-	108,453
Due from component units	(1,417,090)	(121,629)	-	-	-	(407,753)	-	1,946,472	-
<b>Increase (decrease) in current liabilities:</b>									
Accounts payable and accrued expenses	(500,069)	4,759	(21,335)	(4,508)	(26,314)	(13,732)	(1,087)	-	(562,286)
Other current liabilities	210,276	(65,366)	-	-	(46,002)	-	-	-	98,908
Estimated third-party payor settlements	58,077	(240,000)	-	-	-	-	-	-	(181,923)
Due to component units	-	258,225	336,456	93,259	20,624	87,425	1,150,483	(1,946,472)	-
Other liabilities related to operating activities	-	-	(138,352)	-	-	-	-	-	(138,352)
<b>Net cash provided by operating activities</b>	<b>\$ 3,165,142</b>	<b>\$ 1,932,392</b>	<b>\$ 601,155</b>	<b>\$ 190,845</b>	<b>\$ 1,121,619</b>	<b>\$ 170,821</b>	<b>\$ 224,662</b>	<b>\$ -</b>	<b>\$ 7,406,636</b>

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 2009. A similar comment appeared in prior Report B34648.

IC 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."

COMPENSATION AND BENEFITS

In prior years, the Hospital purchased life insurance policies to cover four "key" executives. In 2009, ownership of the cash surrender values of three of these policies was transferred to the covered executives. An employment separation agreement was entered into for the former treasurer that allowed for his transfer (estimated value of \$189,070). The other two executives received ownership of the cash surrender value (estimated combined value at date of transfer totaled \$193,543), but a contract could not be located nor was there any mention in the board minutes allowing this transfer of ownership.

All compensation and benefits paid to officers and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 1)

The hospital is responsible for complying with the decisions of the governing board as evidenced in the board minutes or other written memoranda. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 9)

ADAMS COUNTY MEMORIAL HOSPITAL  
AUDIT RESULTS AND COMMENTS  
(Continued)

GOVERNING BODY ACTION

A contract for the operation of the business office (\$1,045,882), amendments to the business office contract (\$185,839) and a physician's forgivable promissory note of \$300,000 were entered into by the Executive Director. There was no evidence in the Hospital board minutes that these contracts were discussed or approved by the Hospital Board.

The hospital is responsible for complying with the decisions of the governing board as evidenced in the board minutes or other written memoranda. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 9)

SALES TAX

Sales tax was paid on purchases made with the Hospital credit card. A similar comment appeared in prior Report B34648.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (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 September 13, 2010, with Marvin L. Baird, Executive Director, and Dane E. Wheeler, Treasurer.