

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

CERTIFICATE OF NEED PERMIT

APPLICATION

ORIGINAL

MAY 2010 EDITION

LAWRENCE COUNTY MEMORIAL HOSPITAL / CONVERSION
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON STREET, 2nd FLOOR
SPRINGFIELD, ILLINOIS 62761
(217) 782-3516

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

ORIGINAL

11-012

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

RECEIVED

Facility/Project Identification

| | | |
|--------------------|--|---|
| Facility Name: | Lawrence County Memorial Hospital/Conversion | FEB 15 2011 |
| Street Address: | 2200 State Street | |
| City and Zip Code: | Lawrenceville 62439 | HEALTH FACILITIES & SERVICES REVIEW BOARD |
| County: | Lawrence | Health Service Area: 5 Health Planning Area: 103 |

Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | |
|----------------------------------|---|
| Exact Legal Name: | Lawrence County, Illinois |
| Address: | 1100 State Street, Lawrenceville, IL 62439-2341 |
| Name of Registered Agent: | Not Applicable |
| Name of Chief Executive Officer: | William Gray, Chairperson of the Board |
| CEO Address: | 1100 State Street, Lawrenceville, IL 62439-2341 |
| Telephone Number: | 618-943-5205 |

Type of Ownership of Applicant/Co-Applicant

| | | | |
|--------------------------|---------------------------|--------------------------|---------------------|
| <input type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership |
| <input type="checkbox"/> | For-profit Corporation | X | Governmental |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship |
| | | <input type="checkbox"/> | Other |

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

| | |
|-------------------|---|
| Name: | William Gray |
| Title: | Chairperson, Lawrence County Board |
| Company Name: | Lawrence County, Illinois |
| Address: | 1100 State Street, Lawrenceville, IL 62439-2341 |
| Telephone Number: | 618-943-5205 |
| E-mail Address: | |
| Fax Number: | 618-943-5910 |

Additional Contact

[Person who is also authorized to discuss the application for permit]

| | |
|-------------------|---|
| Name: | Kerry J. Emmons |
| Title: | Chairperson, Finance Committee, Lawrence County Board |
| Company Name: | Lawrence County, Illinois |
| Address: | 1100 State Street, Lawrenceville, IL 62439-2341 |
| Telephone Number: | 618-943-5205 |
| E-mail Address: | |
| Fax Number: | 618-943-5910 |

(S0703567.9 2/11/2011 LHH LHH)

Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | |
|----------------------------------|--|
| Exact Legal Name: | Lawrence County Memorial Hospital * |
| Address: | 2200 State Street, Lawrenceville, Illinois 62439 |
| Name of Registered Agent: | Douglas Allen Enloe |
| Name of Chief Executive Officer: | Douglas Florkowski |
| CEO Address: | 2200 State Street, Lawrenceville, IL 62439 |
| Telephone Number: | 618-943-7200 |

*Lawrence County Memorial Hospital is a newly-organized Illinois not-for-profit corporation, created for the purpose of owning and operating the hospital. Because the hospital is currently owned and operated by Lawrence County and is not a separate legal entity, the new corporation was able to incorporate under the hospital's existing name. The result, however, is some confusion on the difference between the existing hospital and the proposed new owner and operator. Where clarity requires it, this application will refer to the new entity/applicant as "Lawrence County Memorial Hospital (the new corporation)."

Type of Ownership of Applicant/Co-Applicant

| | | |
|--|--|--------------------------------|
| <input checked="" type="checkbox"/> Non-profit Corporation | <input type="checkbox"/> Partnership | |
| <input type="checkbox"/> For-profit Corporation | <input type="checkbox"/> Governmental | |
| <input type="checkbox"/> Limited Liability Company | <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Other |

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

| | |
|-------------------|---|
| Name: | Lisa Harms Hartzler |
| Title: | Attorney |
| Company Name: | Sorling, Northrup, Hanna, Cullen & Cochran, Ltd. |
| Address: | 607 East Adams Street, P.O. Box 5131, Springfield, IL 62705 |
| Telephone Number: | 217-544-1144 |
| E-mail Address: | lhartzler@sorlinglaw.com |
| Fax Number: | 217-522-3173 |

Additional Contact

[Person who is also authorized to discuss the application for permit]

| | |
|-------------------|--|
| Name: | Douglas Florkowski |
| Title: | Chief Executive Officer |
| Company Name: | Lawrence County Memorial Hospital |
| Address: | 2200 State Street, Lawrenceville, IL 62439 |
| Telephone Number: | 618-943-7200 |
| E-mail Address: | dflorkowski@lcmhosp.org |
| Fax Number: | 618-943-7233 |

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960

| | |
|-------------------|--|
| Name: | Rita Garvey |
| Title: | Chief Nursing Officer |
| Company Name: | Lawrence County Memorial Hospital |
| Address: | 2200 State Street, Lawrenceville, IL 62439 |
| Telephone Number: | 618-943-7208 |
| E-mail Address: | rgarvey@lcmhosp.org |
| Fax Number: | 618-943-7233 |

Site Ownership

[Provide this information for each applicable site]

| | |
|--|---|
| Exact Legal Name of Site Owner: | Lawrence County, Illinois |
| Address of Site Owner: | 1100 State Street, Lawrenceville IL 62439 |
| Street Address or Legal Description of Site: | 2200 State Street, Lawrenceville IL 62439 |
| Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease. | |
| APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | |

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

| | | | |
|---|--|-------------------------------------|--|
| Exact Legal Name: | Lawrence County Memorial Hospital* | | |
| Address: | 2200 State Street, Lawrenceville, IL 62439 | | |
| <input type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership |
| <input type="checkbox"/> | For-profit Corporation | <input checked="" type="checkbox"/> | Governmental |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship <input type="checkbox"/> Other |
| <ul style="list-style-type: none"> o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | | | |
| APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

*The hospital license names "Lawrence County Memorial Hospital" as the licensee (please see ATTACHMENT-11), but the current hospital is not actually a separate legal entity. It is currently a component unit of Lawrence County. Lawrence County Memorial Hospital (the new corporation) has filed or will file an application for a new hospital license.

Organizational Relationships Please see ATTACHMENT-4.

| |
|--|
| Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution. |
| APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. |

Flood Plain Requirements**NOT APPLICABLE:** no construction is involved.**Historic Resources Preservation Act Requirements****NOT APPLICABLE:** no demolition of any structures, construction of new buildings, or modernization of existing buildings is involved.**DESCRIPTION OF PROJECT****1. Project Classification**

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

| | |
|--------------------------------------|---|
| Part 1110 Classification: | Part 1120 Applicability or Classification: |
| <input type="checkbox"/> Substantive | [Check one only.] |
| X Non-substantive | <input type="checkbox"/> Part 1120 Not Applicable |
| | <input type="checkbox"/> Category A Project |
| | X Category B Project |
| | <input type="checkbox"/> DHS or DVA Project |

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Lawrence County proposes converting the county hospital that is currently owned and operated by it at 2200 State Street, Lawrenceville, Illinois, into one owned and operated by a new not-for-profit corporation. The members of the board of directors of Lawrence County Memorial Hospital (the new corporation) are identical to those who are currently appointed by the County to oversee the hospital's administration. The County proposes to accomplish the conversion by transferring all of the hospital's building, equipment, beds, furniture, contracts, accounts and records and leasing the hospital real property for a term of 99 years for \$1.00 per year to Lawrence County Memorial Hospital (the new corporation). The new corporation will be responsible for all aspects of managing the hospital, including maintenance of the physical facility and any future remodeling, construction, or equipment purchases.

The hospital is a designated Critical Access Hospital and is licensed for twenty-five Medical Surgical beds. All programs and services currently provided by the hospital will continue to be provided following the conversion. Consistent with IHFSRB requirements, access to the hospital's services will not be diminished.

The proposed project, consistent with 77 Ill. Admin. Code § 1110.40(b), is classified as "non-substantive" because it is limited to a Facility Conversion.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

| Project Costs and Sources of Funds | | | |
|---|---------------------|--------------------|---------------------|
| USE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Preplanning Costs | | | |
| Site Survey and Soil Investigation | | | |
| Site Preparation | | | |
| Off Site Work | | | |
| New Construction Contracts | | | |
| Modernization Contracts | | | |
| Contingencies | | | |
| Architectural/Engineering Fees | | | |
| Consulting and Other Fees | | | |
| Movable or Other Equipment (not in construction contracts) | | | |
| Bond Issuance Expense (project related) | | | |
| Net Interest Expense During Construction (project related) | | | |
| Fair Market Value of Leased Space or Equipment | | \$378,105 | \$378,105 |
| Other Costs To Be Capitalized | | | |
| Acquisition of Building or Other Property (excluding land) | \$11,835,915 | \$6,228,230 | \$18,064,145 |
| TOTAL USES OF FUNDS | \$11,835,915 | \$6,606,335 | \$18,442,250 |
| SOURCE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Cash and Securities | | | |
| Pledges | | | |
| Gifts and Bequests | | | |
| Bond Issues (project related) | | | |
| Mortgages | | | |
| Leases (fair market value) | | \$1.00 | \$1.00 |
| Governmental Appropriations | | | |
| Grants | | | |
| Other Funds and Sources | \$11,835,915 | \$6,606,334 | \$18,442,249 |
| TOTAL SOURCES OF FUNDS | \$11,835,915 | \$6,606,335 | \$18,442,250 |
| NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

NOT APPLICABLE: no acquisition of new land, the establishment of a new facility, or a new category of service is involved in the proposed project.

Project Status and Completion Schedules

| |
|--|
| Indicate the stage of the project's architectural drawings: <input checked="" type="checkbox"/> None or not applicable <input type="checkbox"/> Preliminary <input type="checkbox"/> Schematics <input type="checkbox"/> Final Working |
| Anticipated project completion date (refer to Part 1130.140): Co-applicants expect to complete the conversion no later than September 1, 2011. |
| Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140): <input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. <input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies <input checked="" type="checkbox"/> Project obligation will occur after permit issuance. |
| APPEND DOCUMENTATION AS ATTACHMENT-B, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. |

State Agency Submittals

| |
|---|
| Are the following submittals up to date as applicable: <input checked="" type="checkbox"/> Cancer Registry <input checked="" type="checkbox"/> APORS <input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted <input checked="" type="checkbox"/> All reports regarding outstanding permits Failure to be up to date with these requirements will result in the application for permit being deemed incomplete. |
|---|

Cost Space Requirements

NOT APPLICABLE: No changes to any department/area DGSF or the building/area BGSF are involved in the proposed project.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the (S0703567.9 2/11/2011 LHH LHH)

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

latest Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service. Any bed capacity discrepancy from the Inventory will result in the application being deemed incomplete.

| FACILITY NAME: Lawrence County Memorial Hospital | | CITY: Lawrenceville | | | |
|---|-----------------|----------------------------|--------------|-------------|---------------|
| REPORTING PERIOD DATES: From: July 1, 2009 to: June 30, 2010 | | | | | |
| Category of Service | Authorized Beds | Admissions | Patient Days | Bed Changes | Proposed Beds |
| Medical/Surgical | 25 | 905 | 3,024 | 0 | 25 |
| Obstetrics | | | | | |
| Pediatrics | | | | | |
| Intensive Care | | | | | |
| Comprehensive Physical Rehabilitation | | | | | |
| Acute/Chronic Mental Illness | | | | | |
| Neonatal Intensive Care | | | | | |
| General Long Term Care | | | | | |
| Specialized Long Term Care | | | | | |
| Long Term Acute Care | | | | | |
| Other (identify) | | | | | |
| TOTALS: | 25 | 905 | 3,024 | 0 | 25 |

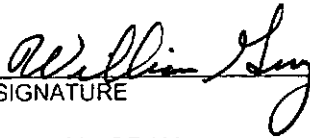
| | | | | | |
|------------------------------|----|-----|-------|---|----|
| Acute/Chronic Mental Illness | 10 | 0 | 0 | 0 | 10 |
| TOTALS: | 35 | 905 | 3,024 | 0 | 35 |

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:


- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of the County of Lawrence, Illinois* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.



 SIGNATURE

WILLIAM GRAY
 CHAIRPERSON of the BOARD OF
 LAWRENCE COUNTY, ILLINOIS

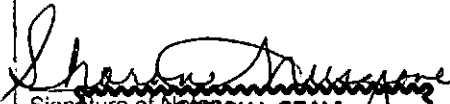


 SIGNATURE

KERRY J. EMMONS
 CHAIRMAN, FINANCE COMMITTEE of the BOARD OF
 LAWRENCE COUNTY, ILLINOIS

Notarization:
Subscribed and sworn to before me
this 04 day of February, 2011

Notarization:
Subscribed and sworn to before me
this 04 day of February, 2011


 Signature of Notary Public
OFFICIAL SEAL*
SHARON MUSGROVE
 Seal Notary Public, State of Illinois
 My Commission Expires: 5/21/2014


 Signature of Notary Public
OFFICIAL SEAL*
SHARON MUSGROVE
 Seal Notary Public, State of Illinois
 My Commission Expires: 5/21/2014

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Lawrence County Memorial Hospital, an Illinois not-for-profit corporation, in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

Douglas Florkowski
SIGNATURE

DOUGLAS FLORKOWSKI
CHIEF EXECUTIVE OFFICER
LAWRENCE COUNTY MEMORIAL HOSPITAL
(an Illinois not-for-profit corporation)

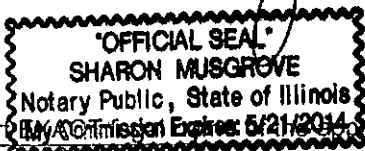
Gerald Klein
SIGNATURE

GERALD KLEIN
CHIEF FINANCIAL OFFICER
LAWRENCE COUNTY MEMORIAL HOSPITAL
(an Illinois not-for-profit corporation)

Notarization:
Subscribed and sworn to before me
this 04 day of February,
20 11.

Sharon Musgrove
Signature of Notary

Seal

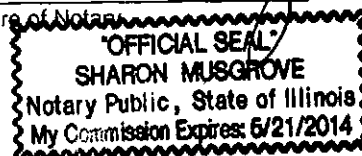


*Insert in Applicant

Notarization:
Subscribed and sworn to before me
this 04 day of February,
20 11.

Sharon Musgrove
Signature of Notary

Seal



SECTION II. DISCONTINUATION

NOT APPLICABLE; no discontinuation of a health care facility or a category of service is involved in the proposed project.

SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF CO-APPLICANT: LAWRENCE COUNTY

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

Lawrence County Memorial Hospital, 2200 State Street, Lawrenceville, Illinois, 62439
Copy of license attached as Attachment-11A.
Copy of CMS certification attached as Attachment-11B.

Lawrence County Ambulance Service, 2009 Lexington Avenue, Lawrenceville, Illinois, 62439

Lawrence County Health Department, Route 3, Box 414, P.O. Box 516, Lawrenceville, Illinois, 62439

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

None, except as follows:

The hospital did not file in a timely manner for a certificate of need permit for the discontinuation of 10 Acute/Chronic Mental Illness beds. This issue was resolved when IHFSRB granted a permit for the discontinuation on December 14, 2010 (Permit No. 10-040).

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.

Authorization attached at Attachment-11C.

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF CO-APPLICANT: LAWRENCE COUNTY MEMORIAL HOSPITAL (the new corporation)

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

None.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

None.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

Authorization attached as Attachment-11D.

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11. IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

Please see ATTACHMENT-12.

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

Please see ATTACHMENT-13.

- 1) Identify ALL of the alternatives to the proposed project:

Alternative options must include:

- A) Proposing a project of greater or lesser scope and cost;
- B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
- C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- D) Provide the reasons why the chosen alternative was selected.

- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

NOT APPLICABLE: No changes to any physical space in the hospital are involved in this project.

SECTION V. - MASTER DESIGN AND RELATED PROJECTS

NOT APPLICABLE: No master design or no related projects are involved in this project.

SECTION VI - MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

NOTE: For all projects involving a change of ownership THE TRANSACTION DOCUMENT must be submitted with the application for permit. The transaction document must be signed dated and contain the appropriate contingency language.

Please see ATTACHMENT-19.

A. Criterion 1110.240(b), Impact Statement

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

B. Criterion 1110.240(c), Access

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

C. Criterion 1110.240(d), Health Care System

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
 - a. the location (town and street address);
 - b. the number of beds;
 - c. a list of services; and
 - d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT-19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

NOT APPLICABLE: No changes to service are involved in this project.

SECTION VIII - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

| | | |
|--------------|------------------------------|--|
| | a) | Cash and Securities - statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: |
| | 1) | the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and |
| | 2) | interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion; |
| | b) | Pledges - for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. |
| | c) | Gifts and Bequests - verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts; |
| | d) | Debt - a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: |
| | 1) | For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; |
| | 2) | For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; |
| | 3) | For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; |
| | 4) | For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; |
| | 5) | For any option to lease, a copy of the option, including all terms and conditions. |
| | e) | Governmental Appropriations - a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent; |
| | f) | Grants - a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt; |
| \$18,442,250 | g) | All Other Funds and Sources - verification of the amount and type of any other funds that will be used for the project. Please see ATTACHMENT-39. |
| | TOTAL FUNDS AVAILABLE | |

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX-1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The co-applicants are not required to submit financial viability ratios because:

All of the project's capital expenditures are completely funded through internal sources of Lawrence County.

The County proposes to transfer all personal property and the hospital building to Lawrence County Memorial Hospital (the new corporation) and to lease the hospital real property to the new corporation for \$1.00 per year for 99 years. The County is paying legal and consulting fees associated with the conversion. (Please see Statement of Funding in ATTACHMENT-39A.) The new corporation will have no expenditures to capitalize.

SECTION X-1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

There are no financing arrangements associated with this project.

B. Conditions of Debt Financing

There is no debt financing associated with this project.

C. Reasonableness of Project and Related Costs

There are no new construction and/or modernization costs associated with this project.

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

Please see ATTACHMENT-42.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

Please see ATTACHMENT-42.

APPEND DOCUMENTATION AS ATTACHMENT-42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

NOT APPLICABLE: This project is classified as non-substantive.

SECTION XII. Charity Care Information

Charity Care information **MUST** be furnished for **ALL** projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

| CHARITY CARE | | | |
|----------------------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 |
| Net Patient Revenue | \$11,454,969 | \$10,578,529 | \$10,347,347 |
| Amount of Charity Care (charges) | \$352,130 | \$285,231 | \$254,742 |
| Cost of Charity Care | \$171,869 | \$138,052 | \$126,174 |

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

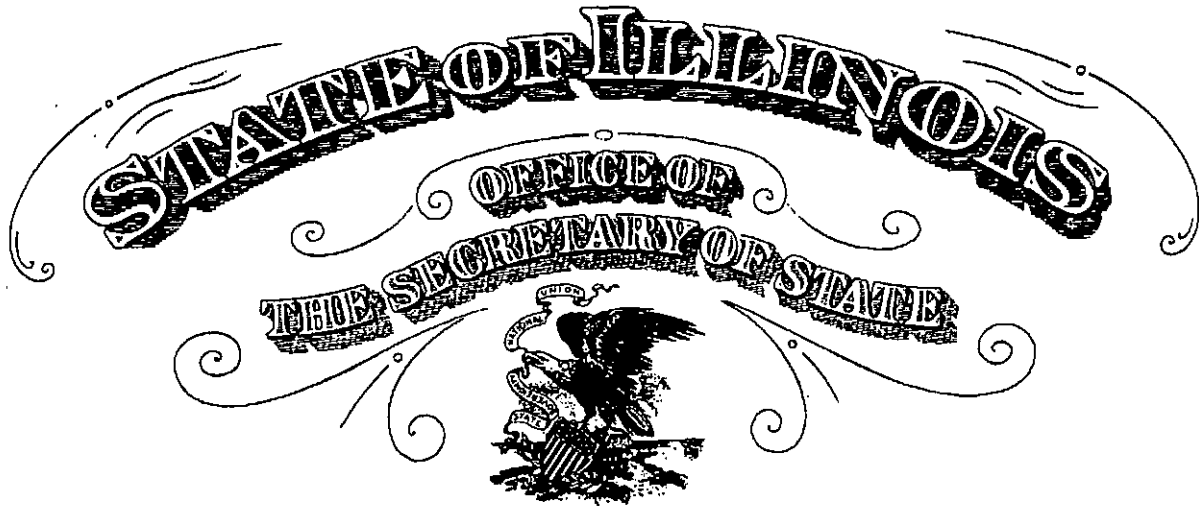
Please see ATTACHMENT-44. Lawrence County Memorial Hospital (the new corporation) will take over hospital operations as they currently are. It expects requests for financial assistance to rise as economic difficulties continue within its market area.

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

| INDEX OF ATTACHMENTS | | |
|-----------------------------|--|--------------|
| ATTACHMENT NO. | | PAGES |
| 1 | Applicant/Coapplicant Identification including Certificate of Good Standing | 21 |
| 2 | Site Ownership | 22-44 |
| 3 | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | NA |
| 4 | Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc. | 45 |
| 5 | Flood Plain Requirements | NA |
| 6 | Historic Preservation Act Requirements | NA |
| 7 | Project and Sources of Funds Itemization | 46-64 |
| 8 | Obligation Document if required | NA |
| 9 | Cost Space Requirements | NA |
| 10 | Discontinuation | NA |
| 11 | Background of the Applicant | 65-71 |
| 12 | Purpose of the Project | 72-75 |
| 13 | Alternatives to the Project | 76-79 |
| 14 | Size of the Project | NA |
| 15 | Project Service Utilization | NA |
| 16 | Unfinished or Shell Space | NA |
| 17 | Assurances for Unfinished/Shell Space | NA |
| 18 | Master Design Project | NA |
| 19 | Mergers, Consolidations and Acquisitions/Change of Ownership | 80-101 |
| | Service Specific: | NA |
| 20 | Medical Surgical Pediatrics, Obstetrics, ICU | NA |
| 21 | Comprehensive Physical Rehabilitation | NA |
| 22 | Acute Mental Illness | NA |
| 23 | Neonatal Intensive Care | NA |
| 24 | Open Heart Surgery | NA |
| 25 | Cardiac Catheterization | NA |
| 26 | In-Center Hemodialysis | NA |
| 27 | Non-Hospital Based Ambulatory Surgery | NA |
| 28 | General Long Term Care | NA |
| 29 | Specialized Long Term Care | NA |
| 30 | Selected Organ Transplantation | NA |
| 31 | Kidney Transplantation | NA |
| 32 | Subacute Care Hospital Model | NA |
| 33 | Post Surgical Recovery Care Center | NA |
| 34 | Children's Community-Based Health Care Center | NA |
| 35 | Community-Based Residential Rehabilitation Center | NA |
| 36 | Long Term Acute Care Hospital | NA |
| 37 | Clinical Service Areas Other than Categories of Service | NA |
| 38 | Freestanding Emergency Center Medical Services | NA |
| | Financial and Economic Feasibility: | |
| 39 | Availability of Funds | 102-166 |
| 40 | Financial Waiver | 167 |
| 41 | Financial Viability | NA |
| 42 | Economic Feasibility | 168-169 |
| 43 | Safety Net Impact Statement | NA |
| 44 | Charity Care Information | 170 |

File Number 6717-649-9



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LAWRENCE COUNTY MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 02, 2010, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1103401962

Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 3RD day of FEBRUARY A.D. 2011 .

Jesse White

SECRETARY OF STATE

ATTACHMENT-1

SITE OWNERSHIP

ATTACHMENT-2 consists of the following documents:

- A. Real Property Ownership Certificate
- B. Certificate of Exemption filed with Lawrence County Supervisor of Assessments
- C. Proposed Ground Lease between Lawrence County and Lawrence County Memorial Hospital (the new corporation)
- D. Proposed Bill of Sale for Personal Property
- E. Proposed Assignment of Contracts

ATTACHMENT-2

LAWRENCE COUNTY
1100 State Street
Lawrenceville, Illinois 62439

REAL PROPERTY OWNERSHIP CERTIFICATION

The undersigned, William Gray, Chairperson of the Board of Lawrence County, Illinois, and Kerry J. Emmons, Chairperson of the Finance Committee of the Board of Lawrence County, Illinois, do hereby certify that Lawrence County, Illinois owns the property commonly known as 2200 State Street, Lawrenceville, Illinois, 62439, and that Lawrence County Memorial Hospital is a component unit of Lawrence County, Illinois.

William W. Gray
SIGNATURE

WILLIAM GRAY
CHAIRPERSON of the BOARD OF
LAWRENCE COUNTY, ILLINOIS

Kerry J. Emmons
SIGNATURE

KERRY J. EMMONS
CHAIRPERSON, FINANCE COMMITTEE
of the BOARD OF
LAWRENCE COUNTY, ILLINOIS

Notarization:

Subscribed and sworn to before me
this 8th day of February,
20 11.

Sharon Musgrove
Signature of Notary Public



Notarization:

Subscribed and sworn to before me
this 8th day of February,
20 11.

Sharon Musgrove
Signature of Notary Public



ATTACHMENT-2A



Illinois Department of Revenue

Office of Local Government Services, 3-520
101 West Jefferson Street
Springfield, Illinois 62702

Illinois Department of Revenue
docket no.: 99- 51- 27

Telephone: 217 785-2252

**Non-homestead Property Tax Exemption Certificate
(35 ILCS 200/8-35, 16-70, and 16-130)**

Property owner or applicant: LAWRENCE COUNTY

County: Lawrence

Property index number, legal description, or both: 06-001-660-20

Based on the statement of facts and supporting documentation in the application, we hereby issue this certificate approving the exemption for 100% of the 1999 assessment year.

For most exemptions, 35 ILCS 200/15-10 requires the filing of an annual certificate of status form with the chief county assessment officer, on or before January 31 of each year. This form is available at the county assessment office.

The Illinois Department of Revenue docket number shown above is your exemption certificate number. Refer to this number on the annual certificate of status form and in all future correspondence regarding this property. If you do not agree with this decision, you must send us a written request for a formal hearing within 20 days of the decision date shown below. In your request, concisely state the mistakes alleged to have been made or the new evidence to be presented as required by 35 ILCS 200/8-35.

Decision date: November 16, 2000

Illinois Department of Revenue
Glen L. Bower, director

**This is an important legal document
and should be retained as part of your permanent records.**

ATTACHMENT-2B

IHFSRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION *file*

LAWRENCE COUNTY, ILLINOIS
CHIEF CO ASSESSMENT OFFICE
CTHS ANNEX-1106 JEFFERSON
LAWRENCEVILLE, IL 62439

PHONE: 618-943-2719

RECEIVED

APR 1 2002

LAWRENCE COUNTY MEMORIAL
HOSPITAL
2200 STATE STREET
LAWRENCEVILLE IL 62439-0000

SUPERVISOR
ASSESSMENTS
LAWRENCE COUNTY, IL

IN ACCORDANCE WITH SECTION 13-10 OF THE PROPERTY TAX LAWRENCE COUNTY, IL (35 ILCS 200/15-10), THIS CERTIFICATION IS HEREBY SUBMITTED. AS TITLEHOLDER OR AS BENEFICIAL OWNER OF THE RIGHTS TO THE PROPERTY(S) LISTED BELOW, IT IS HEREBY DECLARED THAT AS OF JANUARY 1, 2002, THERE HAS NOT BEEN A CHANGE IN OWNERSHIP OR USE OF THE PROPERTY(S) SINCE THE INITIAL ISSUANCE OF THE CERTIFICATE OF EXEMPTION(S) BY THE ILLINOIS DEPARTMENT OF REVENUE, EXCEPT AS NOTED.

LAWRENCE TOWNSHIP
06-001-660-20

LAWRENCE COUNTY MEMORIAL
HOSPITAL
2200 STATE STREET
LAWRENCEVILLE IL 62439-0000

PT LOT 22 C E BUCHANAN SURVEY, LAND BETWEEN PORTER AVENUE AND STATE STREET AS DESCRIBE IN DEEDS BK 92 PG 307, BK 92 PG 315, BK 5 PG 590, 120' OFF N END LOT 9 C.E. BUCHANAN BK 97 PG 507--D.O.R. DOCKET #99-51-27

(ON THE FOLLOWING DESCRIPTIONS: IF NONE, STATE NONE)

DESCRIBE CHANGE IN OWNERSHIP: NONE

DATE OWNERSHIP CHANGED: _____

DESCRIBE CHANGE IN USE: (BE SPECIFIC) _____

DATE USE CHANGED: _____

IS ANY OF THIS PROPERTY LEASED? YES NO

IF YES, ATTACH COPIES OF ANY LEASE AGREEMENTS NOT PREVIOUSLY SUBMITTED.

IF MARKED, THIS OFFICE IS REQUESTING YOU TO PROVIDE A COPY OF YOUR ORIGINAL CERTIFICATE OF EXEMPTION ISSUED BY THE DEPARTMENT OF REVENUE. ATTACH AND RETURN A COPY WITH THIS DOCUMENT.

I HEREBY CERTIFY THIS TO BE A TRUE AND CORRECT REPORTING OF THE FACTS CONCERNING THIS PROPERTY.

SIGNATURE: *[Signature]*
TITLE: Asst

DATE: 4-1-02
PHONE: 618-943-1000

***** IMPORTANT *****
THIS SHOULD BE COMPLETED AND RETURNED TO THE LAWRENCE COUNTY COUNTY ASSESSOR/CHIEF COUNTY ASSESSING OFFICER PRIOR TO APRIL 1, 2002. FAILURE TO FILE SHALL CONSTITUTE CAUSE TO TERMINATE THE EXEMPTION.
ATTACHMENT-2B

2010-19
RESOLUTION OF THE COUNTY BOARD OF
LAWRENCE COUNTY, ILLINOIS

Resolution Approving Ground Lease of Lawrence County Memorial Hospital

WHEREAS, the County owns and operates Lawrence County Memorial Hospital (the "Hospital"), an Illinois licensed hospital located in Lawrenceville, Illinois;

WHEREAS, the County Board resolved on July 21, 2010, that it would be in the best interests of the County and its citizens and would further public health purposes to lease the Hospital real property to Lawrence County Memorial Hospital, an Illinois not-for-profit corporation (the "Corporation");

WHEREAS, pursuant to 55 ILCS 5/5-1005, 55 ILCS 5/5-1040, 55 ILCS 5/5-1049.1 and 55 ILCS 5/5-1040, the County is authorized to enter into the ground lease attached hereto (the "Ground Lease"); and

WHEREAS, the Finance Committee has reviewed and recommends approval of the Ground Lease;

NOW, THEREFORE, BE IT RESOLVED, by the Lawrence County Board:

The Ground Lease attached hereto is approved subject to the following:

1. Prior to execution of the Ground Lease, the Chairman of the County Board and the President of the Corporation may authorize changes to the Ground Lease in order to facilitate, if necessary, obtaining all necessary Illinois permits, federal tax exempt status, or state tax exemptions, but it shall remain substantially in the form attached hereto.
2. The Ground Lease shall not be executed until the Illinois Health Facilities and Services Review Board grants a Certificate of Need Permit authorizing the County to divest the Hospital and transfer operations to the Corporation.

Approved by the Lawrence County Board this 17 day of Nov., 2010.

Vote: Yes: 5 No: Pass:

(SEAL)
Lawrence County Clerk

[Handwritten Signature]

ATTACHMENT-2C

PREPARED BY:

Todd M. Turner
Sorling, Northrup, Hanna,
Cullen and Cochran, Ltd.
Suite 800 Illinois Bldg.
P.O. Box 5131
Springfield, IL 62705
Telephone: 217/544-1144

GROUND LEASE

This Ground Lease ("Lease") is executed, entered into and delivered, to be effective as of the 31st day of January, 2011 (the "Execution Date"), by and between (i) LAWRENCE COUNTY, ILLINOIS, as the landlord ("Landlord"), and (ii) LAWRENCE COUNTY MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, as the tenant ("Tenant").

WHEREAS, Landlord owns and operates a county hospital pursuant to the statutory powers and authority which have been conferred on county boards by the Illinois legislature, and, in particular, Section 5-1005, which is cited as 55 ILCS 5/5-1005;

WHEREAS, the County Board has reviewed the responsibilities and costs of owning and operating the Hospital and has determined that it is no longer profitable to or in the best interests of the County for it to continue to operate and maintain the Hospital;

WHEREAS, the County Board acknowledges the need for a hospital serving the general public in the County and that such a hospital would serve public health purposes and the public purposes of the County;

WHEREAS, the County Board desires to facilitate and support the continuation of a non-sectarian hospital located in the County;

WHEREAS, the County Board has determined that it would be in the best interests of the County and its citizens and would further public health purposes to sell or lease the Hospital building and the real property associated with the Hospital, along with all its equipment, beds, furniture, accounts and records, to a responsible corporation that will continue to operate the Hospital as a not-for-profit hospital;

WHEREAS, the Directors of the Hospital have formed an Illinois not-for-profit corporation named "Lawrence County Memorial Hospital" (the "Corporation"), which is or will be capable of and responsible for owning or leasing and operating the Hospital and doing all other acts necessary to accomplish the divestiture of the Hospital from the County to the Corporation;

ATTACHMENT-2C

WHEREAS, pursuant to Section 5-1005 (55 ILCS 5/5-1005), the County is authorized to sell or lease any real or personal property it owns; to erect and maintain a county hospital; and to contribute such sums of money toward maintaining and supporting any non-sectarian public hospital located within its limits as the County Board deems proper;

WHEREAS, pursuant to Section 5-1040 (55 ILCS 5/5-1040), the County is authorized to transfer, sell or lease any hospital operated by it to a responsible corporation on such terms and under such conditions as the County Board deems appropriate;

WHEREAS, pursuant to Section 5-1049.1 (55 ILCS 5/5-1049.1), the County is authorized to enter into agreements to lease lands owned by the County for \$1.00 per year if the County Board determines that the lease will serve public health purposes, and pursuant to Section 5-109.2 (55 ILCS 5/5-109.2), the County is authorized to lease real estate for a term not exceeding 99 years when, in the opinion of the County Board, the real estate is no longer profitable to or for the best interests of the County;

WHEREAS, as authorized by Section 5-1040 (55 ILCS 5/5-1040), a resolution as proposed and reviewed by the County Finance Committee, was made conveniently available for public inspection at least 10 days prior to its adoption; one public hearing was held on July 21, 2010; notice of that hearing was published in one or more newspapers published in the county or in a newspaper having general circulation in the county at least 10 days prior to the time of the hearing; and the notice of the hearing stated the time and place of the hearing and the place where copies of the proposed resolution was accessible for examination;

WHEREAS, Tenant desires to lease from Landlord the Leased Premises in order to operate a non-profit, non-sectarian hospital; and

WHEREAS, by Resolution of the County Board of Lawrence County, Illinois (attached hereto as "**Exhibit A**"), the Board has authorized the County to enter into this Lease and has authorized the undersigned to execute and deliver the Lease on behalf of the County.

NOW, THEREFORE, inconsideration of the terms, covenants, and conditions which are contained in this Lease, Landlord and Tenant expressly agree as follows:

ARTICLE 1. DESCRIPTION OF LEASED PREMISES AND TERM OF LEASE

1.01 Landlord leases to Tenant, and Tenant rents from Landlord, the real estate, excluding the improvements thereon, which is described in the attached "**Exhibit B**" (collectively, the "**Leased Premises**"). The improvements thereon, including the buildings, structures, and all other improvements ("**Improvements**") are not part of the Leased Premises and shall be transferred outright to Tenant and Tenant shall own all Improvements located on the Leased Premises.

1.02 The term of this Lease is ninety-nine (99) years (the "**Term**"), commencing on the January 31, 2011, (the "**Term Commencement Date**") and subsequently expiring on the 30th

day of January, 2110 (the "**Expiration Date**"), unless that Term is terminated prior to the Expiration Date pursuant to and in compliance with other applicable provisions of this Lease.

ARTICLE 2. RENT

2.01 During the Term of this Lease, Tenant will pay Landlord the aggregate sum of Ninety-Nine Dollars (\$99.00) as the rent to lease the Leased Premises, and Tenant will pay that rental in ninety-nine (99) consecutive annual installments of One Dollar (\$1.00), commencing on the Term Commencement Date and continuing thereafter and paid on the 31st day of January in each calendar year or if said date is not a business day then on the first day thereafter that the County offices are open for business (the "**Rental Payment Date**") in each successive calendar year which is encompassed within that ninety-nine (99) year period. Therefore, One Dollar shall be paid on the Term Commencement Date. One Dollar shall be paid on January 31, 2011 and thereafter on the thirty-first (31st) day of January or the first business day following the thirty-first (31st) that the County offices are open for business thereafter for the Term.

2.02 The annual installments of rent which are payable to Landlord under this Article 2 will be delivered by Tenant to the address of Landlord set forth below, or such other alternative address as Landlord may designate during the Term of this Lease.

ARTICLE 3. TAXES AND UTILITIES

3.01 It is intended that the Leased Premises shall be utilized by Tenant for an important public purpose of maintaining a non-profit hospital accessible to the general public, without regard to the ability to pay, for the purposes of inpatient and out patient health care. The Landlord has previously operated the Leased Premises and the Improvements as a county hospital, the County Board of Landlord has determined it to be in the best interest of Lawrence County and the citizens of Lawrence County to transfer the Improvements operated as a hospital and lease the Leased Premises to Tenant who can fulfill the public purpose of a county hospital in a manner that is more efficient and effective than what the County, itself can do. Because the Leased Premises is being used for a public purpose that would otherwise be the responsibility of Lawrence County, the Leased Premises should be exempt from payment of real property taxes. However, in the event that it is determined due to a statute or statutory interpretation by the courts, that the Leased Premises is not exempt from real property taxes, then Tenant shall be responsible for said real property taxes as set forth in Article 3.02.

3.02 Tenant will pay, prior to delinquency, the general real estate taxes and assessments (collectively, "**Taxes**"), if any, which are levied against or imposed on the Leased Premises during the Term of this Lease, including the Taxes which are attributable to any calendar years which constitute any portion of the Term.

3.03 Tenant, in addition, will pay prior to delinquency all of the public utility charges (collectively, "**Utilities**") which are incurred by Tenant in connection with Tenant's use or occupancy of the Improvements and Leased Premises during the Term of this Lease, including all installation, connection and maintenance expenses which are associated with such Utilities.

Tenant will periodically deliver to Landlord, at the request of Landlord, proper receipts evidencing the timely payment of the Utilities.

3.04 Landlord, if Landlord so elects, may pay any Utilities which remain unpaid and delinquent subsequent to their due dates without any obligation to ascertain their validity. Any Utilities so paid by Landlord will constitute additional rent which is due and payable to Landlord by Tenant within five (5) business days following the delivery to Tenant of a notice by Landlord requesting such payment.

ARTICLE 4. QUIET ENJOYMENT

If Tenant pays the rent and other charges which are described in this Lease and performs the obligations which Tenant is required to perform under this Lease, Tenant may lawfully and quietly possess and occupy the Leased Premises during the Term, subject to the conditions which are contained in this Lease, the easements and covenants of record and all applicable zoning laws, use and building restrictions, regulations and ordinances which exist on the Term Commencement Date, or which are enacted subsequent to the Term Commencement Date while this Lease is in force and effect.

ARTICLE 5. USE OF LEASED PREMISES/SALE OF IMPROVEMENTS

5.01 Tenant's use of the Leased Premises is limited to the operation of a non-profit, non-sectarian hospital offering inpatient and outpatient health care services to the general public without regard to a patient's ability to pay (the "Hospital"), and no other purpose, without the prior consent of Landlord, expressed in writing, and Tenant, by the execution and delivery of this Lease, acknowledges that such consent may be arbitrarily withheld by Landlord.

5.02 Tenant may not use or occupy the Leased Premises in connection with any sectarian instruction, or as a place of religious worship, or as a facility utilized by any program of any school or department of divinity on behalf of any religious denomination or to train ministers, priests, rabbis or other similar persons in religion. However, Tenant may allow for patients and their families to be visited or ministered to by a chaplain, minister, priest, rabbi, or other similar persons of their religious choice and allow for a chapel to be on the Leased Premises for use by patients and their families for their personal religious faith or meditation.

5.03 Tenant may not sell, transfer, or assign any interest in the Improvements to a third party without the express written consent of the Landlord, in Landlord's sole discretion; except that Tenant may pledge the Improvements for purposes of obtaining secured financing for any hospital operations, improvements, and equipment acquisitions in the ordinary course of business. Landlord agrees to reasonably cooperate with Tenant in obtaining said financing.

ARTICLE 6. ALTERATIONS AND CONSTRUCTION OF IMPROVEMENTS

6.01 Tenant, at Tenant's cost and expense, may make alterations of the Improvements. Tenant, at Tenant's cost and expense may construct additional improvements on the Leased Premises, provided that any alteration or construction estimated to be at a cost of Five Hundred

Thousand Dollars (\$500,000) or more shall not be undertaken without Landlord's prior written consent and approval of plans.

6.02 Tenant, at Tenant's cost and expense, will comply with all applicable building, zoning, and other applicable ordinances, statutes or regulations ("**Local Requirements**") which may be required to enable Tenant to construct alterations or improvements. Landlord will cooperate with Tenant in all applications, proceedings and appeals prosecuted by Tenant pursuant to this Lease, and Landlord will execute any documents or authorizations, as and to the extent reasonably requested by Tenant, which are necessary with respect to the construction of any alterations or improvements consented to by Landlord (or which do not need such consent) on the Leased Premises being pursued by Tenant.

6.03 During the Term of this Lease, legal and equitable title in and to the improvements constructed by Tenant on the Leased Premises, will be deemed to be vested in Tenant, subject to the rights of Landlord under this Lease.

ARTICLE 7. LIENS

With the exception of mechanic's liens, mortgages or other encumbrances which are created by Landlord, Tenant will not permit the existence or continuance of any lien on or against the Leased Premises which is attributable to Tenant without Landlord's prior written consent, which may be arbitrarily withheld by Landlord. Within thirty (30) days after receiving a notice of the filing of a lien which is precluded by this Article 7, Tenant will cause the lien to be removed by payment or posting of appropriate bonds, or by depositing an amount equivalent to the claimed lien as security with Landlord if Tenant, in good faith, contests the validity of such claimed lien. Tenant expressly indemnifies Landlord with respect to any liabilities, lawsuits or costs, including reasonable attorneys' fees, resulting from the filing of any lien on or against the Leased Premises in contravention of this Article 7. Nothing in this Article 7 shall prohibit Tenant from pledging its Improvements as collateral for financing purposes as contemplated by Article 5.03.

ARTICLE 8. REPAIRS AND MAINTENANCE

8.01 During the Term of this Lease, Tenant will maintain the Leased Premises and the Improvements and all fixtures on the Leased Premises, at Tenant's cost and expense, in good order and repair and in a clean condition, reasonable wear and tear excepted, and Tenant will promptly perform all necessary repairs to the Leased Premises and/or the Improvements and all fixtures on the Leased Premises.

8.02 The employees of Landlord, or other agents designated by Landlord, may enter and inspect the Improvements and Leased Premises during the Term of this Lease; however, Landlord's employees and agents will exert a reasonable effort to avoid interfering with Tenant's use of the Leased Premises when exercising the rights which are granted to Landlord under this Article 8.02. If an inspection reveals that repairs are necessary to maintain the Leased Premises and/or Improvements and all other fixtures and improvements on the Leased Premises in the manner prescribed by this Lease, Landlord will deliver Tenant a notice describing such repairs

and Tenant, within sixty (60) days after receipt of that notice, will perform the repairs cited by Landlord. If Tenant fails to timely perform such repairs, then Landlord, by a designated agent, may perform the repairs and charge the cost and expense of the repairs to Tenant as additional rent, and Tenant will pay that additional rent to Landlord within the thirty (30) day period following Tenant's receipt of an invoice from Landlord.

8.03 If the Leased Premises or any portion of the Improvements or any other fixture on the Leased Premises is damaged or destroyed by fire or other casualty during the Term of this Lease, Tenant, shall act to repair, reconstruct, replace and restore such damage at Tenant's cost and expense using its insurance proceeds; however, failure to have insurance shall not absolve Tenant of its duty to repair, reconstruct, replace or restore the Leased Premises, including the Improvements and all fixtures thereon.

8.04 Tenant will promptly comply, or will cause prompt compliance with all laws, ordinances, orders, rules and regulations of all municipal, county, state, federal or other governmental authorities which are properly applicable to the Leased Premises, or the use or occupancy by Tenant of the Leased Premises (collectively, "Law"). Tenant, without cost or expense to Landlord, may contest the validity or the application of any Law; however, such contest cannot expose Landlord to any criminal liability and Tenant must furnish Landlord with a surety bond sufficient to indemnify Landlord against any losses or damages, including attorneys' fees, which Landlord could reasonably sustain by reason of the failure or the delay of Tenant in complying with the applicable Law.

ARTICLE 9. INSURANCE

9.01 During the Term of this Lease, Tenant will continuously insure the Leased Premises, the Improvements and all fixtures on the Leased Premises against loss or damage by fire and other casualties and risks which are presently, or may be subsequently, encompassed within and embraced by the "Extended Coverage" provisions of a standard commercial fire and casualty insurance policy in an amount constituting the approximate replacement cost, as periodically determined by Landlord and communicated to Tenant. Tenant will maintain during the Term of this Lease, to insure the respective interests of Landlord and Tenant under this Lease, a comprehensive public liability policy insuring against claims, demands and actions with respect to bodily injury, death or property damage occurring on the Leased Premises or within the Hospital, with minimum limits of coverage, with respect to bodily injury or death, of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate, and, with respect to property damage, Five Hundred Thousand Dollars (\$500,000) per accident. Tenant, in addition, will continuously insure during the Term of this Lease all of the diagnostic medical equipment, furniture, furnishings, other equipment and machinery owned by Tenant and located on the Leased Premises.

9.02 During the Term of this Lease, Tenant, at Tenant's cost, will continuously insure itself against medical malpractice and negligence claims in an amount not less than _____ Dollars (\$ _____) in the aggregate.

9.03 In light of the length of the Term of this Lease, Landlord and Tenant recognize that the coverage limits which are prescribed in Articles 9.01 and 9.02 may be commercially inadequate and insufficient in the future. Accordingly, the appropriateness of the insurance coverage which is prescribed in Articles 9.01 and 9.02 will be periodically reviewed by Landlord and Tenant. If Landlord determines, in Landlord's reasonable business judgment, that the amount of the insurance coverage being maintained by Tenant is not adequate at such time, then Landlord will advise Tenant, in writing, of the required coverage amounts. Tenant, within thirty (30) days after receiving that communication from Landlord, will obtain the coverage required by Landlord and will deliver satisfactory evidence to Landlord confirming that such coverage is then in force and effect.

9.04 All insurance policies which are required by this Lease must be issued by reputable companies which are empowered to transact business in the State of Illinois, and which are reasonably satisfactory to Landlord. Prior to the delivery of this Lease by Landlord, and thereafter not less than thirty (30) days prior to the respective expiration dates of the policies previously furnished to Landlord pursuant to this Lease, duplicate copies of such policies or appropriate certificates naming Landlord as an additional insured party, accompanied by other evidence reasonably satisfactory to Landlord confirming the premiums due on the policies have been paid, must be delivered to Landlord by Tenant. Such insurance policies, in addition, must require at least twenty (20) days' prior notice, in writing, to Landlord in the event of a cancellation, termination or any material change in the coverages afforded by the policies, and the proceeds of the policies must be payable to Tenant and Landlord, as and to the extent their respective interests appear in this Lease.

ARTICLE 10. INDEMNIFICATION

Tenant, by the execution and delivery of this Lease, expressly indemnifies Landlord with respect to any liabilities, costs, including reasonable attorneys' fees, losses, claims, demands or judgments arising directly or indirectly from injuries to persons (including medical malpractice or negligence) or damages to property sustained while on or in the Leased Premises, or Improvements or other fixture, at Tenant's cost and expense, will timely assume and will thereafter diligently defend any lawsuits or actions which are instituted or filed directly against Landlord, or where Landlord may be subsequently impleaded, by reason of the occurrence of such injuries or the incurrence of property damages.

ARTICLE 11. EMINENT DOMAIN

If all or substantially all of the Leased Premises is condemned by any competent authority under the exercise of the power of eminent domain during the Term of this Lease, the rent which is then payable under this Lease will be prorated to the date such authority actually acquires possession of the Leased Premises, and this Lease will be deemed to be terminated. All compensation and damages awarded by reason of the condemnation of the Leased Premises, and the loss of the rent which is otherwise payable to Landlord under this Lease, will constitute the sole and exclusive property of Landlord and will not be apportioned between Landlord and Tenant, and Tenant will possess no claim to such compensation or damages and will not be entitled to any award with respect to the diminution in value of the leasehold interest of Tenant

under this Lease or the value of any unexpired Term of this Lease. The compensation or damages received by Landlord, however, will be utilized by Landlord, as may then be required, to pay the outstanding balance of any mortgage, debt, or bond obligation which the Tenant of this Lease had obtained to finance the construction of any alterations or improvements.

ARTICLE 12. ASSIGNMENT AND SUBLETTING

12.01 Tenant may not assign this Lease or otherwise sublet the Improvements or Leased Premises or other fixtures thereon without obtaining, as a prerequisite condition of such assignment or subletting, the consent of Landlord. Landlord, if Landlord so elects, may arbitrarily withhold that consent, or, alternatively, Landlord may prescribe terms and conditions which Tenant must satisfy before Landlord's consent is delivered, including a requirement that Tenant remain liable to Landlord under this Lease notwithstanding the occurrence of that assignment or subletting. If Landlord has consented to any additional subletting, that sublease by Tenant respecting the Improvements or Leased Premises or other fixtures thereon must recite that: (i) the termination or the cancellation of the interest of Tenant in this Lease will not cause the automatic termination of such sublease; and (ii) the subtenant will attorn to Landlord and recognize Landlord as the lessor under the sublease. Any such sublease must require, in addition, that the subtenant execute and deliver, in the event of the termination or cancellation of the interest of Tenant in this Lease, and if so requested by Landlord, any document which is necessary to evidence, to the satisfaction of Landlord, such attornment.

12.02 Landlord may assign this Lease without any limitation or restriction under or by virtue of this Lease, and without being required to obtain, as a prerequisite condition, any permission or consent from Tenant. However, if said assignment may terminate Tenant's property tax exemption, then Landlord shall give Tenant at least 120 days written notice prior to said assignment becoming effective. If Landlord assigns this Lease, Landlord will be deemed to be released by Tenant, effective as of the date of such assignment, as to the continued performance of any duties, obligations or responsibilities under this Lease; however, Landlord will not be released, under such circumstances, as to Landlord's duty, obligation and responsibility to perform all of the provisions, covenants and agreements contained in this Lease which Landlord was required to perform under this Lease prior to that assignment.

12.03 No assignment or sublease by either Landlord or Tenant may modify, alter or limit any powers or remedies of the parties under this Lease, or any of the obligations or duties of such parties under this Lease.

ARTICLE 13. EXPENSES

13.01 Tenant is responsible for paying any and all costs and expenses whatsoever necessary to operating the Leased Premises and Improvements as a Hospital. Tenant will promptly pay, at the demand of Landlord, all expenses, including reasonable attorneys' fees and court and/or arbitration costs, which are incurred by Landlord to:

- (i) enforce any obligation or duty of Tenant under this Lease;

- (ii) cure any default by Tenant under this Lease; or
- (iii) defend or participate in any legal proceedings initiated by or on behalf of Tenant where Landlord is not adjudged to be in default under this Lease.

13.02 Landlord will promptly pay, at the demand of Tenant, all expenses, including reasonable attorneys' fees and court and/or arbitration costs, which are incurred by Tenant to:

- (i) enforce any obligation or duty of Landlord under this Lease;
- (ii) cure any default by Landlord under this Lease; or
- (iii) defend or participate in any legal proceedings initiated by or on behalf of Landlord where Tenant is not adjudged to be in default under this Lease.

ARTICLE 14. DEFAULT/TERMINATION

14.01 Landlord reserves the power and authority to terminate this Lease by delivering at least a thirty (30) day notice ("Default Notice") to Tenant, and Landlord may subsequently reenter and repossess the Leased Premises, Improvements, and any and all other fixtures or improvements after the expiration of the time period which Landlord has cited in that Default Notice, free of any claims or demands of Tenant under or by virtue of this Lease:

- (i) if Tenant has failed to pay any installment of rent which is payable by Tenant under this Sublease within the ten (10) day period which immediately follows Tenant's receipt of a rental delinquency notice from Landlord; or
- (ii) if Tenant has failed to perform the covenant or agreement which Landlord has cited to Tenant within the thirty (30) day period which immediately follows Tenant's receipt of a nonperformance notice from Landlord; or
- (iii) if Tenant has ceased to actively and continuously use and occupy the Leased Premises and Improvements for Hospital purposes in compliance with the provisions of Article 5 of this Lease.
- (iv) if Tenant violates any local, state, or federal law, regulation, or ordinance or fails to properly maintain any and all licenses, permits, etc. that it must have to operate as a Hospital or any other use to which Tenant puts the Leased Premises.

14.02 If Landlord delivers a Default Notice to Tenant, this Lease, and the leasehold estate which is created by this Lease, will be deemed to be terminated at the expiration of the time period identified by Landlord in such Default Notice, and Tenant will surrender possession of the Leased Premises to Landlord and convey the Improvements back to Landlord on the effective date of such termination, thereby releasing all claims and demands of Tenant under or by virtue of this Lease. A termination of this Lease by Landlord, however, will not constitute a release and discharge of Tenant by Landlord under and in respect to this Lease. Should Tenant

refuse to convey title to the Improvements to Landlord, Landlord shall have the right to seek an injunction and shall be entitled to an injunction from the court ordering the conveyance of the Improvements to Landlord.

14.03 If this Lease is terminated by Landlord, the Term and leasehold estate which is vested in Tenant under this Lease will cease and Landlord, without prejudice to any other rights or remedies which are available to Landlord, may:

(i) reenter and repossess the Leased Premises and Improvements, with or without process of law, utilizing such force as may be necessary; and

(ii) remove all persons, furniture and other furnishings, equipment and machinery including any diagnostic or medical equipment owned by Tenant from the Leased Premises and the Improvements, without incurring any liability to Tenant.

No reentry by Landlord, however, will be deemed to be or construed as an acceptance of a surrender of this Lease.

14.04 In the event of the termination of this Lease by Landlord, Landlord may recover from Tenant, as liquidated damages, a sum equal to the amount of the rent which was to be paid to Landlord by Tenant under this Lease with respect to the remainder of the Term which existed when Landlord terminated this Lease.

14.05 If Tenant defaults under this Lease, Landlord, if Landlord so elects, may:

(i) terminate the possession by Tenant of the Leased Premises and demand a reconveyance of the Improvements, without terminating this Lease;

(ii) repossess the Leased Premises by a forcible entry and detainer suit, or other appropriate litigation, without demand or notice to Tenant;

(iii) relet all or any portion of the Leased Premises in consideration of such rent and pursuant to terms and conditions which are satisfactory to Landlord; and

(iv) Lease the Improvements to a third party after Tenant has reconveyed the Improvements to Landlord.

Landlord, in connection with such reletting, may decorate and remodel the Improvements, as Landlord may deem desirable. Landlord, however, is not obligated under this Lease to relet the Leased Premises, or to accept a substitute or subtenant tendered by Tenant. If Landlord does not relet the Leased Premises, Tenant will pay to Landlord, on demand and as liquidated damages, a sum equal to the amount of the rent which was to be paid to Landlord by Tenant under this Lease with respect to the remainder of the Term which existed when Tenant defaulted. If the Leased Premises are relet and the consideration realized by Landlord as a result of that reletting is not sufficient to pay the rent which was otherwise payable to Landlord by Tenant under this Lease with respect to the then remaining portion of the Term, and, in addition, the costs incurred by

Landlord to redecorate and remodel and the expenses related to such reletting, including reasonable attorneys' fees and brokerage fees, Tenant will pay the deficiency to Landlord on demand, and Tenant, by the execution and delivery of this Lease, expressly consents to the institution by Landlord of a lawsuit or other appropriate litigation to recover such deficiency from Tenant. The rights and remedies which are enumerated and reserved to Landlord in this Article 14 are not exclusive of any other right or remedy which is available to Landlord; rather such rights and remedies are cumulative and in addition to all other rights or remedies which presently or may subsequently exist, at law or in equity, in favor of Landlord.

14.06 Landlord may terminate this Lease and demand a reconveyance of the Improvements upon thirty (30) days written notice even if there is no event of default if the Landlord determines that a change in the law or change of interpretation of the law prohibits the County from leasing the Leased Premises to Tenant.

ARTICLE 15. NOTICES

Any notice which is required under this Lease must be in writing and must be (i) delivered to the party entitled to the notice or (ii) mailed, with first-class postage prepaid, to the address of the party entitled to the notice by registered or certified mail, return receipt requested. A notice will be deemed to be received in subparagraph (i), on the date of the actual receipt of the notice by the party entitled to the notice, and in subparagraph (ii), three (3) days after the date the notice is mailed. Notices to Landlord and Tenant must be addressed as follows, unless an alternative address is designated by the affected party during the Term of this Lease:

Landlord: _____

Tenant: _____

In light of the length of the Term of this Lease, Landlord and Tenant will be deemed to be acting in compliance with this Article 15 if, when a notice is required to be delivered under this Lease there is no registered or certified mail service available, the parties utilize the service which has effectively replaced the registered or certified mail service which existed on the Term Commencement Date.

ARTICLE 16. POSSESSION OF LEASED PREMISES

16.01 This Lease will terminate without any additional notice to Tenant at the expiration of the Term which is specified in Article 1, and any possession by Tenant subsequent to such expiration will not constitute a renewal or extension of this Lease.

16.02 On the last day of the Term, or any earlier termination of this Lease or any reentry by Landlord pursuant to the provisions of this Lease, Tenant will immediately surrender possession of the Leased Premises to Landlord and reconvey the Improvements to Landlord without delay and in good order and repair, reasonable wear and tear excepted, free of all liens and encumbrances other than the specific liens and encumbrances, if any, which are expressly permitted by this Lease or specifically consented to, in writing, by Landlord.

16.03 At the expiration of the Term, or any earlier termination of this Lease, Tenant will immediately execute and deliver to Landlord any documents requested by Landlord to release and quit-claim to Landlord, in writing, the rights, title and interests of Tenant in and to the Leased Premises and the Improvements.

ARTICLE 17. GENERAL PROVISIONS

17.01 Amendments. No amendment of this Lease will be valid or enforceable unless the amendment is reduced to writing and is then respectively executed and delivered by Landlord and Tenant.

17.02 Construction and Interpretation. This Lease will be enforced, construed, interpreted and governed, in all respects, by and under the law of the State of Illinois.

17.03 Enforceability. If any provision of this Lease is adjudged by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Lease will continue in force and will not be considered to be impaired or invalidated.

17.04 Estoppel Certificates. Tenant, within ten (10) days of the request of Landlord, will execute and deliver to Landlord and Landlord, within ten (10) days of the request of Tenant, will execute and deliver to Tenant a statement, in writing, certifying:

(i) that this Lease remains unmodified and in force or, if this Lease has been modified, that this Lease is then in force, as modified, and enumerating such modifications;

(ii) the status of the payment of the rent and other charges which are due and payable by Tenant under this Lease;

(iii) the existence of any alleged default by Tenant in respect to this Lease, or the service of any notice of default by Landlord; and

(iv) any other material and relevant factual data or information, relating to this Lease, reasonably requested.

17.05 Interchangeable Terms. When utilized in this Lease, the terms "Leased Premises" and "Hospital" may be used interchangeably, as and to the extent a reasonable construction of the provision where such terms appear would dictate, without distorting the intent or limiting the scope of that provision.

17.06 Recordation. Tenant may not record this Lease; however, Tenant, without being required to obtain any permission or consent from Landlord, may record a memorandum of this Lease as an alternative to recording the entire Lease.

17.07 Relationship. No provision contained in this Lease may be construed as creating a relationship of principal and agent, or partnership or joint venture between Landlord and Tenant.

17.08 Successors and Assigns. All covenants, agreements and provisions which are contained in this Lease specifically bind and expressly inure to the benefit of Landlord and Tenant, and their respective successors in interest and/or assigns.

17.09 Supplemental Documents. Landlord and Tenant agree to timely execute and deliver, during the Term, all documents which are reasonably required to implement the provisions of this Lease.

17.10 Waivers. No provision of this Lease will be deemed to be waived by Landlord or Tenant unless the waiver is reduced to writing and is then executed by the waiving party. A prior waiver of any provision contained in this Lease will not constitute a waiver of such provision in the event of any subsequent breach of that provision. The acceptance by Landlord of any rent under this Lease will not constitute a waiver of any preceding breach by Tenant of any provision of this Lease. The payment by Tenant of any rent which is due under this Lease will not constitute a waiver of any preceding breach by Landlord of any provision of this Lease.

ARTICLE 18. CERTIFICATE OF NEED

18.01 Certificate of Need. The rights and obligations of Tenant and Landlord under this Lease are conditioned upon a Certificate of Need being granted to Tenant. If Tenant does not obtain a Certificate of Need, this Lease shall be null and void.

ARTICLE 19. DISSOLUTION

19.01 Dissolution. In the event that Tenant should cease business of running a hospital or otherwise be dissolved and not reinstated, the Leased Premises and the Improvements shall automatically revert back to the Landlord as sole owner free from the term of this Lease.

ATTACHMENT-2C

IN WITNESS WHEREOF, Landlord and Tenant respectively executed and then delivered this Lease, on the Execution Date, in pursuance of the uses and purposes which are described and contained in this Lease.

LANDLORD:

LAWRENCE COUNTY, ILLINOIS

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

TENANT:

LAWRENCE COUNTY MEMORIAL
HOSPITAL, an Illinois not-for-profit
corporation

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

STATE OF ILLINOIS)
)
COUNTY OF LAWRENCE) SS.

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY that _____ and _____ of LAWRENCE COUNTY, ILLINOIS, personally known to me to be the _____ and _____, respectively, of said County, whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such _____ and _____, they signed, sealed, and delivered the foregoing instrument as their free and voluntary act, and as the free and voluntary act and deed of said County for the uses and purposes therein set forth.

Given under my hand and notarial seal this _____ day of _____, 2010.

Notary Public

STATE OF ILLINOIS)
)
COUNTY OF LAWRENCE) SS.

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY that _____ and _____ of LAWRENCE COUNTY MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, personally known to me to be the _____ and _____, respectively, of said not-for-profit corporation, whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such _____ and _____, they signed, sealed, and delivered the foregoing instrument as their free and voluntary act, and as the free and voluntary act and deed of said not-for-profit corporation for the uses and purposes therein set forth.

Given under my hand and notarial seal this _____ day of _____, 2010.

Notary Public

ATTACHMENT-2C

{S0705159.11 11/16/2010 TMT KRP}

GROUND LEASE

"Exhibit B": Description of Leased Premises

Including all fixtures and improvements thereon.

BILL OF SALE

In consideration of value received, the receipt and sufficiency of that value being acknowledged, THE COUNTY OF LAWRENCE, ILLINOIS, a body politic and corporate (the "County") which is acting pursuant to the authority conferred on the County by the County Board in a Resolution adopted on the 21st day of July, 2010, conveys, assigns, transfers and delivers to LAWRENCE COUNTY MEMORIAL HOSPITAL, an Illinois not for profit corporation (the "Hospital"), as of this _____ day of _____, 2011 (the "Execution Date"), all of the rights, title and interests of the County in and to the properties, records and files, supplies, equipment and other assets which are being utilized on the Execution Date by the County to operate a hospital in Lawrenceville, Illinois, under and in compliance with the Hospital Licensing Act of the State of Illinois (collectively, the "Hospital Assets").

To own and possess such Hospital Assets unto the Hospital, and the successors in interest to and/or the assigns of the Hospital, to the sole use and benefit of the Hospital, forever.

The County, in addition, represents and warrants to the Hospital that: (i) the County is the owner of the Hospital Assets, subject to any indebtedness, mortgages, security interests, liens or encumbrances which exist with respect to such Hospital Assets on the Execution Date and which are being assumed on behalf of the County by the Hospital (collectively, the "Assumed Liabilities"); (ii) the County possesses the power and authority to deliver this Bill of Sale to the Hospital in order to transfer the Hospital Assets to the Hospital pursuant to this Bill of Sale, under the representations and warranties which are expressed in this Bill of Sale; and (iii) the County will defend the Hospital Assets against any other claims or demands which are adverse to the rights, title or interests of the Hospital in and to such Hospital Assets, subject in all events, however, to the Assumed Liabilities.

In witness whereof, the County executed and then delivered this Bill of Sale to the Hospital, on the Execution Date, in pursuance of the uses and purposes which are respectively described and contained in this Bill of Sale.

County:

THE COUNTY OF LAWRENCE, ILLINOIS

By: _____

Name: _____

Title: Chairman, Lawrence County Board

ATTACHMENT-2D

ASSIGNMENT

In consideration of value received, the receipt and sufficiency of that value being acknowledged, The County of Lawrence, Illinois, a body politic and corporate (the "County") which is acting pursuant to the authority conferred on the County by the County Board in a Resolution adopted on the 21st day of July, 2010, assigns, transfers and delivers to Lawrence County Memorial Hospital, an Illinois not for profit corporation (the "Hospital"), as of this _____ day of _____, 2010 (the "Execution Date"), all of the rights, title and interests of the County in and to the contracts, leases and other documents and agreements which are in force and effect on the Execution Date and which are being utilized by the County to operate a hospital in Lawrenceville, Illinois, under and in compliance with the Hospital Licensing Act of the State of Illinois (collectively, the "Assigned Contracts").

In witness whereof, the County executed and then delivered this Assignment to the Hospital, on the Execution Date, in pursuance of the uses and purposes which are respectively described and contained in this Assignment.

County:

The County of Lawrence, Illinois

By: _____
Name: _____
Title: Chairman, Lawrence County Board

ACCEPTANCE OF ASSIGNMENT

In consideration of value received, the receipt and sufficiency of that value being acknowledged, Lawrence County Memorial Hospital, an Illinois not for profit corporation (the "Hospital") which is acting pursuant to the authority conferred on the Hospital by the Board of Directors in a Resolution adopted on the 28th day of July, 2010, accepts and assumes, as of this _____ day of _____, 2010 (the "Execution Date"), and agrees to perform all of the duties, obligations and responsibilities of The County of Lawrence, Illinois, a body politic and corporate (the "County"), by virtue of or in connection with the contracts, leases and other documents and agreements which are in force and effect on the Execution Date and which are being utilized by the County to operate a hospital in Lawrenceville, Illinois, under and in compliance with the Hospital Licensing Act of the State of Illinois (collectively, the "Assigned Contracts").

In witness whereof, the Hospital executed and then delivered this Acceptance of Assignment ("Acceptance") to the County, on the Execution Date, in pursuance of the uses and purposes which are respectively described and contained in this Acceptance.

Hospital:

Lawrence County Memorial Hospital

By: _____
Name: Carl H. Aten
Title: Chairman, Board of Directors

ATTACHMENT-2E

ORGANIZATIONAL RELATIONSHIPS

The Board of Lawrence County currently appoints the individuals who constitute a governing board of the hospital, which is not a separate legal entity. It is a component unit of Lawrence County. Those individuals appointed by the County Board also make up the original board of the new not-for-profit corporation, Lawrence County Memorial Hospital (the new corporation). There is no overlap of individuals between the County Board and the hospital board, either currently or as proposed. The County is funding the conversion to not-for-profit status. No individual has a personal or financial interest in the conversion.

Lawrence County Board Members:

Gene Hays
Bonnie Hann
William Gray (Chairperson)
Patrick Spidel
Kerry J. Emmons
David White
Ryan Curtis

Individuals currently appointed by the County to oversee the hospital

Carl Aten
Ron Waldrop
Gerald Harper
Rebecca Nestleroad
Mike Shappard
Gary Huber
S.R. Chakravarthy, M.D.
Stanley Williams
Billy Joe Shaffer

Lawrence County Memorial Hospital (the new corporation) Board Members:

Carl Aten, Chairman
Ron Waldrop, Vice Chairman
Gerald Harper, Treasurer
Rebecca Nestleroad, Secretary
Mike Shappard
Gary Huber
S.R. Chakravarthy, M.D.
Stanley Williams

ATTACHMENT-4

ITEMIZATION OF COSTS AND SOURCES OF FUNDS

- A. Summary of Asset Values
- B. Analysis of Capital Equipment
- C. Square Footage Report
- D. RSMeans Building Construction Cost Data

ATTACHMENT-7

LAWRENCE COUNTY MEORIAL HOSPITAL
 Summary of Asset Values
 Clinical and Non-clinical for CON application

1/26/2011 16:45

| SUMMARY | Non-Clinical | Clinical | |
|-------------------------------------|---------------------|-------------------|-------------------|
| EQUIPMENT | | | |
| Buildings | 3,728 | | |
| Nursing Services | | 380,624 | |
| Cardiac Rehab | | 146,335 | |
| Emergency | | 162,593 | |
| Radiology | | 1,885,060 | |
| Laboratory | | 321,791 | |
| Pharmacy | | 51,221 | |
| Surgery | | 390,933 | |
| Anesthesia | | 35,758 | |
| Physical Therapy | | 32,223 | |
| Cardio Pulmonary | | 8,886 | |
| Administration | | 851,817 | |
| Business Office | | 122,789 | |
| Medical Offices | 149,940 | | |
| Materials Management | | 24,347 | |
| Medical Records | | 149,058 | |
| Nutrition Services - Dietary | 60,159 | | |
| Information Technology Services | 101,841 | | |
| Housekeeping | 53,372 | | |
| SUBTOTAL | 369,040 | 4,563,435 | 4,932,475 |
| | | | |
| LAND & LAND IMPROVEMENTS | 378,105 | | 378,105 |
| | | | |
| BUILDINGS CALCULATED COST | 5,859,190 | 7,272,480 | 13,131,670 |
| | | | |
| GRAND TOTAL | 6,606,335 | 11,835,915 | 18,442,250 |

ATTACHMENT-7A

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM \AK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| | | | | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|------------|-------|-------------------------------|-----------|------------|-----------------------------|----------------------|----------------------------|
| Group... | | 5002 - BUILDINGS - NEW | | | | | |
| 09/09/99 | MQ | END SUCTION CENTRIFUGAL P | SL/10.00 | 1,069.00 | | | |
| 10/07/99 | MQ | TURBINE PUMP | SL/10.00 | 1,320.00 | | | |
| | | | | 2,389.00 | 2,389 | 1.5604 | 3,728 |
| Group... | | 6002 - NURSING SERVICES - NEW | | | | | |
| 6/1/1992 | | 35 ZENITH TELEVISIONS 9" | SL/ 5.00 | 20,021.00 | | | |
| | | ICE MAKER | | 1,950.00 | | | |
| 6/1/1992 | | PATIENT CHARTING SYSTEM | SL/ 7.00 | 1,475.00 | | | |
| 6/1/1994 | | TELEMETRY & MONITORS | SL/10.00 | 4,924.00 | | | |
| 6/1/1994 | | ABBOTT 4100 PLA PUMPS | SL/10.00 | 3,204.00 | | | |
| 6/1/1995 | | 15 SIGMA 6M INFUSION PUMP | SL/10.00 | 26,925.00 | | | |
| 6/1/1995 | | GOMOCO 400 ASPIRATOR | SL/10.00 | 543 | | | |
| 6/1/1996 | | 2 GOMOCO SUCTION PUMPS | SL/10.00 | 2,583.00 | | | |
| 6/1/1996 | | ADULT PULSE OX / MONITOR | | 4,924.00 | 61,625 | 1.6652 | 102,618 |
| 6/1/1998 | | SUCTION DEVICE/NIBP MONIT | SL/10.00 | 1,380.28 | | | |
| 6/1/1998 | | PATIENT MONITORS | SL/ 7.00 | 4,762.50 | 6,143 | 1.5943 | 9,793 |
| 04/15/99 | MQ | 5 OFFICE CHAIRS | SL/15.00 | 875 | 875 | 1.5604 | 1,365 |
| 03/07/00 | MQ | RECLINER/ROCKER | SL/10.00 | 574 | | | |
| 03/07/00 | MQ | GUEST CHAIR | SL/10.00 | 277 | 851 | 1.4258 | 1,213 |
| 2/28/2001 | | CHAIR SCALE | | 536.1 | | | |
| 4/30/2001 | | IV PUMPSALE | SL/10.00 | 1,000.00 | | | |
| 7/31/2001 | | Wheelchair | SLP/ 5.00 | 573.85 | | | |
| 7/31/2001 | | Colonfiber Scope | SLP/ 5.00 | 11,294.58 | | | |
| 8/20/2001 | | Wheelchair | SLP/ 5.00 | 564.37 | | | |
| 8/20/2001 | | Wheelchair | SLP/ 5.00 | 493.82 | | | |
| 10/31/2001 | | IV Pumps | SLP/10.00 | 34,874.85 | 49,338 | 1.4668 | 72,368 |
| 10/31/2003 | | MOBILE MEDICAL RECLINER | | 1,260.00 | 1,260 | 1.3902 | 1,752 |
| 4/1/2004 | | SYNDEO PCA PUMP SYSTEMR | SLP/10.00 | 3,804.00 | 3,804 | 1.277 | 4,858 |
| 4/1/2005 | | CPR MANNEQUIN | SLP/10.00 | 1,090.27 | | | |
| 4/18/2005 | | MOBLVAC III SUCTION-PORTAB | SLP/10.00 | 2,348.65 | 3,439 | 1.2104 | 4,162 |
| 11/1/2007 | | HILL ROM BED | SL/12.00 | 6,798.38 | | | |
| 11/1/2007 | | HILL ROM BED | SL/12.00 | 6,798.38 | | | |
| 11/1/2007 | | HILL ROM BED | SL/12.01 | 6,799.37 | | | |
| 11/1/2007 | | HILL ROM BED | SL/12.00 | 6,798.37 | 27,195 | 1.0832 | 29,457 |
| 5/1/2008 | | LP12 DEFIB/MON S/N 36572781 | SLP/ 5.00 | 13,707.71 | 13,708 | 1.0172 | 13,943 |
| 12/1/2010 | | NIHON KOHDEN MONITOR SYSTEM | | 139,092.74 | | | 139,093 |
| | | GRAND TOTAL NURSING SERVICES | | 307,329.22 | | | 380,624 |

ATTACHMENT--7B

CON_LCMH Asset Major Moveable by Group 1-14-11.xls

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group
Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM \AK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| Group... | Asset Description | SLP | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|--|---|-------------|------------|--------------------------|-------------------|-------------------------|
| Group... : 6012 - CARDIAC REHAB -NEW | | | | | | |
| | 6/1/1992 LIFESCOPE-9 MONITOR SYSTM | SL/ 7.00 | 11,718.00 | 11,718 | 1.6652 | 19,513 |
| | 1/31/2003 Schwinn Stationary Blycde | SLP/15.00 | 519 | | | |
| | 2/28/2003 PF Treadmill, 525X | SLP/ 8.00 | 599.95 | 1,119 | 1.3902 | 1,556 |
| | 12/1/2004 TELEMETRY UNIT | SLP/10 | 67900 | | | |
| | 12/1/2004 TELEMETRY WIRING | SLP/ 5.00 | 3,469.42 | 71,369 | 1.277 | 91,139 |
| | 5/1/2008 TELEMETRY- CARDIAC REHAB | SLP/ 5.00 | 25,195.00 | | | |
| | 5/1/2008 LP12 DEFIB/MON S/N 36587115 | SLP/ 5.00 | 8,356.20 | 33,551 | 1.0172 | 34,128 |
| Grand tot | als: 6012 - CARDIAC REHAB -NE ssets) | | 117,757.57 | | | 146,335 |
| Group... : 6032 - EMERGENCY ROOM - NEW | | | | | | |
| | 6/1/1992 2 CPR MANIKINS CHLD ADLT | SL/ 5.00 | 1,271.00 | | | |
| | 6/1/1992 Sharp Copier | SL / 5.00 | 900.00 | | | |
| | 6/1/1993 WHEEL CHAIRCOPIER | SL/ 5.00 | 750.00 | | | |
| | 6/1/1993 OMNIFLO 4000 IV PUMP | SL/10.00 | 1,607.00 | | | |
| | 6/1/1996 6 CHAIRS, TABLE, 3 FILE CAB | SL/15.00 | 2,771.00 | | | |
| | 9/1/1996 COMPUTER SYSTEM | SL/ 5.00 | 1,658.50 | | | |
| | 12/1/1996 HYDRAULIC STRETCHER/MATT | SL/15.00 | 3,809.25 | 12,767 | 1.6652 | 21,259 |
| | 2/1/1997 HYDRAULIC STRETCHER/MATT | SL/15.00 | 3,809.25 | | | |
| | 5/1/1997 CABINETS COUNTERTOPS | SL/ 15.00 | 1,141.82 | | | |
| | 6/30/1997 FETAL HEART MONITOR,BOWL | SL/ 7.00 | 11,750.45 | 16,702 | 1.6268 | 27,170 |
| | 3/1/1998 2 WAY RADIO/PAGER SYSTEM | SL/ 3.00 | 20,489.86 | | | |
| | 6/1/1998 LIFE PACK 9A DEFIBRILLATO | SL/ 8.00 | 7,258.79 | 27,749 | 1.5943 | 44,240 |
| | 3/30/2001 DEFIBRILLATOR MONITOR | SL/ 5.00 | 1,100.00 | 1,100 | 1.4668 | 1,613 |
| | 1/18/2002 Mobile Radios and accessories | SLP/ 5.00 | 3,843.03 | | | |
| | 2/28/2002 ER Examination Lamp & Stand | SLP/10.00 | 778.29 | 4,621 | 1.4258 | 6,589 |
| | 1/30/2004 EMERGENCY CART | SLP / 10.00 | 651.20 | | | |
| | 3/23/2004 Computer, software, printer | SLP/ 5.00 | 1,496.00 | | | |
| | 7/12/2004 BLANKET WARMER | SLP/15.00 | 4,636.99 | | | |
| | 7/12/2004 TRANSTAR PROCEDURAL STRE | SLP/15.00 | 4,635.00 | | | |
| | 12/15/2004 MONITOR AND STAND - VITAL | SL/ 8.00 | 3,374.14 | 14,793 | 1.277 | 18,891 |
| | 1/1/2005 REFRIGERATOR/ICE MAKER NE | SLP/10.00 | 3,710.12 | | | |
| | 1/1/2005 WIRE CART NEW ER | SLP/10.00 | 581.35 | | | |
| | 1/1/2005 FURNITURE NEW ER | SLP/15.00 | 14,551.00 | | | |
| | 1/1/2005 SUCTION REGULATOR/OXYGEN | SLP/ 8.00 | 2,910.00 | | | |
| | 1/1/2005 DESKS NEW ER | SLP/20.00 | 1,385.93 | | | |
| | 2/18/2005 SHOWER GURNEY - EMERGEN | SLP/ 5.00 | 727.41 | 23,866 | 1.2104 | 28,887 |
| | 7/3/2006 LP12 DEFIB/MONITOR | SLP/ 5.00 | 13,707.71 | 13,708 | 1.0172 | 13,943 |
| Grand tot | als: 6032 - EMERGENCY ROOM 7 assets) | | 115,305.09 | | | 162,593 |

ATTACHMENT-7B

CON_LCMH Asset Major Moveable by Group 1-14-11.xls

IHFSRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: IPROGRAM\AK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|---|--------------|--------------------------|-------------------|-------------------------|
|: 6072 - RADIOLOGY - NEW | | | | |
| 6/1/1991 BUCK GRID SL/15.00 | 600 | | | |
| 6/1/1992 PICKER ELITE 1500 X-RAY SL/ 8.00 | 198,054.00 | | | |
| 6/1/1992 DUO-LUME VIEW BOXES, 5/5 SL/10.00 | 1,581.00 | | | |
| 6/1/1994 MAMMO-PLUS MAMMOGRAPHY SL/ 5.00 | 57,954.00 | | | |
| 6/1/1994 MOBILE X-RAY REFURBISH SL/ 8.00 | 14,995.00 | | | |
| 6/1/1994 "BIP" BIOPSY GUN SL/ 5.00 | 995 | | | |
| 6/1/1994 MAXANT ILLUMINATOR SL/15.00 | 2,120.00 | | | |
| 6/1/1996 PENTIUM COMPUTEROR SL/ 5.00 | 3,098.00 | | | |
| 6/1/1996 MAMMO WORKS SOFTWARE SL/ 5.00 | 1,401.00 | 280,798 | 1.6652 | 467,585 |
| 10/1/1997 LASER IMAGER SL/ 5.00 | 35,000.00 | 35,000 | 1.6268 | 56,938 |
| 4/30/2001 X-RAY TUBE SL/ 5.00 | 44,765.00 | 44,765 | 1.4668 | 65,661 |
| 12/18/2002 RealTimeImage Web-based telera SLP/ 7.00 | 36,600.00 | 36,600 | 1.4258 | 52,184 |
| 7/1/2004 RADIOLOGY EQUIPMENT SLP/ 5.00 | 182,885.00 | 182,885 | 1.277 | 233,544 |
| 2/9/2005 COPIER/PRINTER/SCANNER/FA SLP/ 5.00 | 2,199.00 | 2,199 | 1.2104 | 2,662 |
| 8/23/2006 INJECTOR SYSTEM -STELLAN' SL/10.00 | 26,903.74 | | | |
| 9/18/2006 CT SCAN BRILLANCE 16 SLICE SL/ 5.00 | 559,200.96 | 586,105 | 1.1454 | 671,324 |
| 11/30/2009 PACs PICTURE ARCHIVING & C SLP/ 5.00 | 328,977.10 | 328,977 | 1.0188 | 335,162 |
| GRAND TOTAL RADIOLOGY | 1,497,328.80 | | | 1,885,060 |

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|---|------------------------------|--------------------------|-------------------|-------------------------|
|: 6082 - LABORATORY - NEW | | | | |
| 6/1/1991 COULTER JT2 INTERFACE SL/10.00 | 2,356.00 | | | |
| 6/1/1991 COULTER JT2 HEMATOLOGY AI SL/10.00 | 29,985.00 | | | |
| 6/1/1992 OLYMPUS BHTJ MICROSCOPE SL/10.00 | 3,282.00 | | | |
| 6/1/1992 MISTROL 3000E CENTRIFUGE SL/10.00 | 3,800.00 | | | |
| 6/1/1995 CLINITEK 100 URINE ANALYZER SL/8.00 | 1,981.00 | 41,404 | 1.6652 | 68,946 |
| 09/10/98 MQ LAB LISK 100 URINE ANALYZ SL/ 5.00 | 43,500.00 | 43,500 | 1.5943 | 69,352 |
| 06/15/99 MQ MICROSCOPE, DRAWING CHAIR SL/10.00 | 500.00 | | | |
| 09/09/99 MQ OLYMPUS CH30 MICROSCOPE SL/10.00 | 2,450.00 | | | |
| 10/07/99 MQ ORCHARD LIS INTERFACE SOF SL/ 5.00 | 3,750.00 | 6,700 | 1.5604 | 10,455 |
| 04/06/00 MQ TRIAGE METER SL/ 7.00 | 3,507.00 | | | |
| 04/06/00 MQ TRIAGE CARDIAC PANEL SL/ 7.00 | 725.00 | | | |
| 04/06/00 MQ TRIAGE CARDIAC CONTROL SET SL/ 7.00 | 110.40 | | | |
| 09/28/00 MQ BACTEC SOFTWARECONTROL SL/ 3.00 | 10,500.00 | | | |
| 11/15/2000 MICROBIOLOGY ANALYZER SL/ 8.00 | New one purchased in FY 2011 | | | - |
| 6/30/2001 FLAME HOOD VERT. SAFETY C/ SL/10.00 | 4,790.40 | | | |
| 7/1/2001 Roche / Sysmex SF 3000 Analyzer SL/ 7.00 | 60,000.00 | 64,790 | 1.4668 | 95,035 |
| 10/31/2003 COMPUTER, SOFTWARE, PRIN1 SLP/ 5.00 | 1,960.00 | 1,960 | 1.3902 | 2,725 |
| 2/29/2004 Refrigerator SLP/10.00 | 2,930.00 | 2,930 | 1.277 | 3,742 |
| 6/14/2005 BLOOD BANK REFRIG & MONIT SLP/10.00 | 4,277.80 | 4,278 | 1.2104 | 5,178 |
| 8/23/2006 LAB SERVER SL/ 5.000 | New one purchased in FY 2011 | | | |
| 1/1/2009 BLOOD GAS ANALYZER NPT7 R SLP/ 5.00 | 13,800.00 | 13,800 | 1.0188 | 14,059 |
| 12/1/2010 Microbiology analyzer | 42,500.00 | 42,500 | | 42,500 |
| 11/1/2010 Orchard System server | 9,800.00 | 9,800 | | 9,800 |
| GRAND TOTAL LABORATORY | 246,504.60 | | | 321,791 |

ATTACHMENT-7B

CON_LCMH Asset Major Moveable by Group 1-14-11.xls

IHFSRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM I AK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| | | | | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|----------|---|-----------|------------|-----------------------------|----------------------|----------------------------|
| Group... |: 6132 - PHARMACY - NEW | | | | | |
| | 6/1/1996 486SX COMPUTER/PRINTER | SL/ 5.00 | 1,826.00 | | | |
| | 6/1/1996 CAPSULE SOFTWARE | SL/ 5.00 | 2,500.00 | | | |
| | 6/1/1996 TORSION PRESCRIPTION BAL | SL/ 5.00 | 650 | 4,978 | 1.6652 | 8,286 |
| | 12/08/99 MQ PHARMACY COMPUTER SYSTE | SL/ 5.00 | 26,320.96 | 26,321 | 1.5604 | 41,071 |
| | 2/12/2004 MED CART | SLP/10.00 | 1,459.79 | 1,460 | 1.277 | 1,864 |
| | GRAND TOTAL PHARMACY | | 32,756.75 | | | 51,221 |
| Group... |: 6152 - SURGERY - NEW | | | | | |
| | 6/1/1991 10MM LAPAROSCOPE | SL/10.00 | 2,905.00 | | | |
| | 6/1/1991 LAPAROSCOPE CHOLECYSTEC | SL/10.00 | 34,928.00 | | | |
| | 5/1/1992 REFRACTOMETER - TS MTR | SL/10.00 | 710.00 | | | |
| | 6/1/1993 5MM ATRAMATIC GRASPERR | SL/ 5.00 | 889.00 | | | |
| | 6/1/1993 SAMSUNG 13" TELEVISION | SL/ 5.00 | 420.00 | | | |
| | 6/1/1994 CLV-U20 UNIVERSAL LIGHT | SL/ 5.00 | 8,630.00 | | | |
| | 6/1/1995 ATRAUMATIC GRASPER 5MM | SL/ 5.00 | 875.00 | | | |
| | 6/1/1996 HEALTH-O-METER SLING SCLS | SL/15.00 | 2,670.00 | | | |
| | 6/1/1996 STORAGE SHELVES | SL/20.00 | 641.00 | | | |
| | 10/1/1996 TELESCOPE, BIPOLAR KIT | SL/10.00 | 3,961.47 | | | |
| | 12/1/1996 PROCART II W/FIBEROPTICS | SL/ 5.00 | 3,206.60 | | | |
| | 12/1/1996 MICROSCOPE,EYPIECE,OBJEC | SL/10.00 | 4,342.86 | 64,179 | 1.6652 | 106,871 |
| | 12/1/1997 GASTROINTESTINAL FIBERSCC | SL/ 5.00 | 13,100.00 | 13,100 | 1.6268 | 21,311 |
| | 12/08/99 MQ LIFEPAK 9 DEFIBRILLATOR/MOI | SL/ 8.00 | 5,672.85 | 5,673 | 1.5604 | 8,852 |
| | 03/07/00 MQ MICRO. OSCILLATING SAW | SL/10.00 | 1,875.00 | | | |
| | 03/07/00 MQ MICRO 100 WIREDRIVER | SL/10.00 | 2,250.00 | | | |
| | 03/07/00 MQ MICRO 100 DRILL | SL/10.00 | 2,250.00 | | | |
| | 03/07/00 MQ LP 9P PHYSIO-CONTROL DEFIB | SL/ 8.00 | 6,000.00 | 12,375 | 1.5178 | 18,783 |
| | 3/31/2002 Filemaster III Planetary Camera | SLP/10.00 | 5,513.85 | | | |
| | 5/24/2002 Desktop Reader/Printer | SLP/ 5.00 | 2,852.75 | 8,367 | 1.4258 | 11,929 |
| | 12/1/2004 SURGICAL TABLE | SLP/15.00 | 15,500.00 | | | |
| | 1/22/2004 [LKA000001] Defibrillator/monitor | SL/ 8.00 | 13,785.80 | 29,286 | 1.277 | 37,398 |
| | 2/25/2005 WARMING CABINET - SURGERY | SLP/15.00 | 3,990.00 | | | |
| | 11/9/2005 STRETCHER -SURGICAL/EYE C. | SLP/10.00 | 5,007.00 | | | |
| | 12/1/2005 VIDEO CAMERA & CART FOR SI | SLP/5.00 | 62,832.28 | 71,829 | 1.2104 | 86,942 |
| | 6/1/2006 STRETCHER - SURGICAL | SLP/10.00 | 5,007.00 | | | |
| | 6/1/2006 2 DEFIBRILLATORS- SURGERY | SLP/ 5.00 | 19,064.40 | | | |
| | 10/18/2006 ENDOSCOPE | SL/ 5.00 | 8,535.68 | 32,607 | 1.1454 | 37,348 |
| | 10/1/2007 DATASCOPE ANESTHESIA MOI | SL/ 5.00 | 12,646.97 | 12,647 | 1.0832 | 13,699 |
| | 7/1/2008 GYNECARE THERMA CHOICE II | SLP/ 5.00 | 5,189.00 | | | |
| | 9/30/2008 ALLEN YELLOFIN STIRRUPS W// | SLP/ 5.00 | 5,489.98 | | | |
| | 11/20/2008 CYSTOMETRY SYSTEM LUMAS | SLP/10.00 | 14,672.00 | 25,351 | 1.0172 | 25,787 |
| | 4/28/2009 ELECTROSURGICAL GENERATI | SLP/ 7.00 | 7,435.47 | | | |
| | 09/28/09A CYSTOSCOPE EVOLUTIONTIP II | SLP/ 3.00 | 7,459.83 | | | |
| | 11/30/09A 300W LIGHT- SURGEON HEADL | SLP/ 5.00 | 6,711.79 | 21,607 | 1.0188 | 22,013 |
| | GRAND TOTAL SURGERY | | 297,020.59 | | | 390,933 |

ATTACHMENT--7B

CON_LCMH Asset Major Moveable by Group 1-14-11.xls

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
 Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM FAK19\413605A1
 Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|--|-----------|-----------------------------|----------------------|----------------------------|
|: 6172 - ANESTHESIA - NEW | | | | |
| 6/1/1993 DW-1000 BLOOD WARMER SL/ 6.00 | 999.00 | 999 | 1.6652 | 1,664 |
| 3/7/2009 BLOOD FLUID ARMER SL/8.00 | 1320.00 | 1,320 | 1.0188 | 1,345 |
| 12/10/08 MQ AESTIVA 7900 ANESTHESIA MA SLP/ 7.00 | 32,196.00 | 32,196 | 1.0172 | 32,750 |
| GRAND TOTAL ANESTHESIA | 34,515.00 | | | 35,758 |
| Group... ..: 6182 - PHYSICAL THERAPY - NEW | | | | |
| 6/1/1991 FERNO WHIRLPOOL #177299 SL/10.00 | 2,100.00 | | | |
| 6/1/1993 PRESTON PULLEY WEIGHTS SL/10.00 | 500.00 | | | |
| 6/1/1995 EXCEL ULTRA III THERAPY SL/ 7.00 | 3800.00 | | | |
| 6/1/1996 WHITEHALL 22 GAL WHIRLPOOL SL/10.00 | 2,400.00 | | | |
| 11/1/1996 FIBER OPTIC SCOPE SL/ 5.00 | 2,000.00 | 10,800 | 1.6652 | 17,964 |
| 6/1/1998 ULTRASOUND/ELECT STIMULATOR SL/ 7.00 | 3,800.00 | 3,800 | 1.5943 | 6,058 |
| 12/21/2004 TABLE - PHYSICAL THERAPY SL/15.00 | 2,120.00 | 2,120 | 1.277 | 2,707 |
| 4/30/2007 TRACTION UNIT -PHYSICAL THERAPY SL/10.00 | 5,053.12 | 5,053 | 1.0832 | 5,474 |
| GRAND TOTAL PHYSICAL THERAPY | 21,773.12 | | | 32,223 |
| Group... ..: 6202 - CARDIO-PULMONARY - NEW | | | | |
| 5/18/2009 RESPIRATORY VENTILATOR & TABLE SLP/10.00 | 8,722.33 | 8,722 | 1.0188 | 8,886 |
| GRAND TOTAL CARDIO-PULMONARY | 8,722.33 | | | 8,886 |

ATTACHMENT-7B

IHFSRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
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Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|--|------------|-----------------------------|----------------------|----------------------------|
|: 6502 - ADMINISTRATION - NEW | | | | |
| 6/1/1991 AIR CONDITIONER SL/ 5.00 | 650.00 | | | |
| 6/1/1991 CONFERENCE TABLE SL/15.00 | 400.00 | | | |
| 6/1/1992 IBM WHEELWRITER TYPEWRITER SL/ 5.00 | 653.00 | | | |
| 6/1/1993 COMPUTER SYSTEM UPGRADE SL/ 5.00 | 45,846.00 | | | |
| 6/1/1994 OKIDATA LASER PRINTER SL/ 5.00 | 532.00 | | | |
| 6/1/1994 KONICA FAX MACHINE SL/ 3.00 | 500.00 | | | |
| 6/1/1996 COMPUTER HARDWARE (LEASE) SL/ 5.00 | 2,347.00 | | | |
| 6/1/1996 486SX COMPUTER SL/ 5.00 | 1,800.00 | | | |
| 3/1/1994 COMPUTER SYSTEM SL/ 5.00 | 73,742.65 | 126,471 | 1.6652 | 210,599 |
| 9/1/1997 HP LASERJET PRINTER SL/5.00 | 779.99 | | | |
| 9/1/1997 LOBBY FURNITURE SL/10.00 | 4,073.01 | 4,853 | 1.6268 | 7,895 |
| 2/1/1998 GATEWAY LAPTOP FOR CFO SL/ 5.00 | 2,659.00 | | | |
| 4/1/1998 SIMPLEX TIME CLOCK SL/10.00 | 6,856.64 | | | |
| 5/1/1998 DAIRYLAND SOFTWARE SL/ 5.00 | 27,856.64 | | | |
| 11/6/1998 DESK IN QA SL/15.00 | 870.00 | 38,242 | 1.5943 | 60,970 |
| 06/24/99 MQ GTE PHONE SYSTEM SL/10.00 | 30,010.00 | 30,010 | 1.5604 | 46,828 |
| 05/10/00 MQ P3 550Mhz COMPUTER SL/ 5.00 | 1,520.00 | | | |
| 9/30/2000 NETWORK CARD & 2 PRINTERS SL/ 5.00 | 2,540.00 | 4,060 | 1.5178 | 6,162 |
| 9/28/2001 Computer and Interface SLP/ 5.00 | 5,150.00 | | | |
| 10/12/2001 Computer and printer SLP/ 5.00 | 6,702.92 | 11,853 | 1.4668 | 17,386 |
| 9/16/2002 Computer & Peripherals CI Series SLP/ 3.00 | 1,245.00 | | | |
| 9/16/2002 T-1 LINE SLP/ 3.00 | 16,237.13 | | | |
| 12/31/2002 COMPUTERS & MONITORS SLP/ 3.00 | 5,109.00 | 22,591 | 1.4258 | 32,210 |
| 2/28/2003 Computer & peripherals;CI Series SLP/ 3.00 | 3,541.00 | | | |
| 2/28/2003 CPSI Computer System SLP/ 5.00 | 313,722.00 | | | |
| 4/21/2003 Lab IF Orchard LIS Software SLP/ 5.00 | 3,250.00 | | | |
| 8/28/2003 Computer, software, printer SLP/ 5.00 | 1,481.00 | | | |
| 8/28/2003 4 WINDOW AIR CONDITIONERS SLP/ 5.00 | 1,723.02 | | | |
| 10/31/2003 Computer, software, printer SLP/ 5.00 | 3,016.00 | | | |
| 12/31/2003 PANASONIC FAX MACHINERINT SLP/ 3.00 | 2,925.00 | 329,658 | 1.3902 | 458,291 |
| 5/27/2004 Heart Monitor SLP/ 8.00 | 1,503.70 | | | |
| 6/17/2004 Computer, Software, Printer SLP/ 5.00 | 1,050.00 | | | |
| 7/21/2004 ASSET KEEPER SOFTWARE SLP/ 3.00 | 599.00 | | | |
| 12/1/2004 COMPUTER PHYSICIAN LOUNG SLP/ 3.00 | 1,577.00 | 4,730 | 1.277 | 6,040 |
| 2/1/2005 COMPUTER - PURCHASING SLP/ 3.00 | 1,203.00 | | | |
| 4/30/2005 COMPUTER - WEBSITE SLP/ 5.00 | 3,289.00 | 4,492 | 1.2104 | 5,437 |
| GRAND TOTAL ADMINISTRATION | 576,959.70 | | | 851,817 |

ATTACHMENT-7B

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM \AK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|---|------------|-----------------------------|----------------------|----------------------------|
| Group... : 6552 - BUSINESS OFFICE - NEW | | | | |
| 6/1/1991 IBM WHEELWRITER 10 SL/ 5.00 | 678.00 | | | |
| 6/1/1994 STENO CHAIRS SL/10.00 | 450.00 | | | |
| 7/1/1996 PC AND MONITOR SL/ 5.00 | 1,585.00 | | | |
| 9/1/1996 COMPUTER SYSTEM SL/ 5.00 | 1,658.50 | 4,372 | 1.6652 | 7,279 |
| 2/1/1998 DESK & CHAIR BUS OFFICE SL/15.00 | 1,208.40 | | | |
| 5/1/1998 INTEL PERSONAL COMPUTER SL/ 5.00 | 1,175.00 | | | |
| 10/09/98 MQ SYSTEM PRINTER SL/ 5.00 | 1,450.00 | | | |
| 12/07/98 MQ DESK IN BUSINESS OFFICE SL/15.00 | 404.00 | 4,237 | 1.5943 | 6,756 |
| 01/19/99 MQ CRT TERMINAL SL/ 5.00 | 590.00 | | | |
| 08/09/99 MQ ELECTRONIC BILLING PACKAGI SL/ 5.00 | 9,000.00 | | | |
| 06/15/99 MQ HARDWARE FOR ELECTRONIC SL/ 5.00 | 9,893.00 | | | |
| 09/09/99 MQ PREMIS SYSTEM SL/ 5.00 | 5,304.31 | 24,787 | 1.5604 | 38,678 |
| 4/30/2001 PRINTER SL/ 5.00 | 1,463.00 | | | |
| 4/30/2001 4 COMPUTERS SL/ 5.00 | 2,575.00 | 4,038 | 1.4868 | 5,923 |
| 10/31/2002 3 Cabinet Letter Size Wall Storage SLP/20.00 | 1,995.00 | 1,995 | 1.4258 | 2,844 |
| 10/31/2003 COMPUTER, SOFTWARE, PRINT SLP/ 5.00 | 2,842.00 | | | |
| 11/13/2003 PRINTERS SLP/ 5.00 | 2,155.00 | | | |
| 11/18/2003 HEWLETT PACKARD/COMPAQ P SLP/ 5.00 | 1,881.00 | | | |
| 11/30/2003 PROFLEX COT SLP/15.00 | 3,033.10 | 9,911 | 1.3902 | 13,778 |
| 2/29/2004 Computer, software, printer SLP/ 5.00 | 4,847.00 | | | |
| 4/30/2004 ELECTRONIC BILLING SYSTEM SLP/ 3.00 | 21,387.22 | | | |
| 4/30/2004 DIRECT DEPOSIT SOFTWARE SLP/ 3.00 | 3,000.00 | 29,214 | 1.277 | 37,307 |
| 1/20/2005 OFFICE PARTITIONS - BUSINES SLP/10.00 | 2,992.00 | 2,992 | 1.2104 | 3,622 |
| 9/30/2007 FIREWALL FOR PC SYSTEM SL/ 3.00 | 6,095.00 | 6,095 | 1.0832 | 6,802 |
| GRAND TOTAL BUISNESS OFFICE | 87,641.53 | | | 122,789 |
| Group... : 6602 - MEDICAL CLINICS - NEW | | | | |
| 06/15/99 MQ DR. VINOD EQUIPMENT SL/ 5.00 | 31,695.92 | 31,696 | 1.5604 | 49,458 |
| 3/7/00 MQ ULTRACLAVE SL/ 10.00 | 2,549.29 | 2,549 | 1.5178 | 3,869 |
| 4/30/2001 SOFTWARE UPGRADE SL/ 3.00 | 8,727.00 | 8,727 | 1.4868 | 12,801 |
| 12/31/2007 TABLES & CHAIRS MOB CONFE SL/15.00 | 36,600.00 | 36,600 | 1.0832 | 39,645 |
| 4/1/2008 CPSI RHC MODULE PURCHASI SLP/ 3.00 | 24,800.00 | | | |
| 5/5/2008 POWER 230 EXAM TABLE (SPEC SLP/15.00 | 6,280.00 | | | |
| 5/14/2008 OCS-500 COLPOSCOPE ZOOM (SLP/ 8.00 | 6,360.00 | | | |
| 8/26/2008 HYSTEROSCOPE (FIBER-OPTIC SLP/ 5.00 | 5,979.27 | 43,419 | 1.0172 | 44,166 |
| GRAND TOTAL MEDICAL CLINICS | 122,991.48 | | | 149,940 |
| Group... : 6652 - MATERIALS MANAGM EW | | | | |
| 1/1/2009 INVENTORY SYSTEM -CPSI SLP/ 3.00 | 23,897.89 | 23,898 | 1.0188 | 24,347 |
| GRAND TOTAL MATERIALS MANAGEMENT | 23,897.89 | | | 24,347 |

ATTACHMENT-7B

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group
 Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
 Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM FAK19\413605A1
 Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
 Cost

| | | | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|----------|------------|--------------------------------|-----------|-----------------------------|----------------------|----------------------------|
| Group... | | 6702 - MEDICAL RECORDS - NEW | | | | |
| | 6/1/1991 | IBM WHEELWRITER 10 | SL/ 5.00 | 537.00 | | |
| | 6/1/1995 | WORK STATIONS | | 4865.00 | | |
| | 6/1/1995 | HEWLETT PACKARD IV PLUS | SL/ 5.00 | 1,675.00 | | |
| | 6/1/1995 | WORD FOR WINDOWS | SL/ 5.00 | 1,496.00 | | |
| | 6/1/1996 | VOICEWRITER 1000 DICTATIN | SL/ 5.00 | 19,895.00 | 28,468 | 1.6652 |
| | 11/10/99 | MQ P3 450Mhz SERVER | SL/ 5.00 | 2,284.00 | | |
| | 11/10/99 | MQ COMPUTER WORKSTATION | SL/ 5.00 | 775.00 | | |
| | 11/10/99 | MQ COMPUTER WORKSTATION | SL/ 5.01 | 775.00 | | |
| | 11/10/99 | MQ COMPUTER WORKSTATION | SL/ 5.00 | 775.00 | 4,609 | 1.5604 |
| | 09/30/00 | MQ ENCODER INTERFACEION | SL/ 5.00 | 3,678.00 | | |
| | 10/31/2000 | SOFTWARE | SL/ 3.00 | 2,194.00 | | |
| | 12/1/2000 | SOFTWARE | SL/ 3.00 | 22,855.00 | 28,727 | 1.5178 |
| | 1/31/2001 | VOICEWRITE TELEPHONE | SL/10.00 | 1,183.56 | | |
| | 3/30/2001 | DICTATION EQUIPMENT | SL/ 5.00 | 1,783.56 | 2,957 | 1.4668 |
| | 10/7/2003 | COMPUTER, SOFTWARE, PRIN1 | SLP/ 5.00 | 1,164.00 | | |
| | 10/8/2003 | COMPUTER, SOFTWARE, PRIN1 | SLP/ 5.01 | 877.00 | 2,041 | 1.3902 |
| | 1/20/2005 | SHELVING MEDICAL RECORDS* | SL/20.000 | 17,900.00 | | |
| | 1/20/2005 | OFFICE PARTITIONS - MEDICAL | SLP/10.00 | 8,976.00 | | |
| | 2/1/2005 | COMPUTER - MEDICAL RECORN | SLP/ 3.00 | 1,203.00 | | |
| | 6/30/2005 | DICTATION EQUIPMENT-VW10 | SLP/ 5.00 | 8,000.00 | 36,079 | 1.2104 |
| | | GRAND TOTAL MEDICAL RECORDS | | 102891.12 | | 149,058 |
| Group... | | 6752 - NUTRITION SERVICE-EW | | | | |
| | 6/1/1991 | SHELVING | SL/20.00 | 750.00 | | |
| | 6/1/1991 | UNIVEX 12 QUART MIXER | SL/10.00 | 1,380.00 | | |
| | 6/1/1994 | STEAM TABLE (4-WELL HOT) | SL/10.00 | 3,457.00 | 5,587 | 1.6652 |
| | 10/1/1997 | HOT WELL & REFRIG CART | SL/10.00 | 7,555.00 | | |
| | 10/1/1997 | SILVERWARE DISPENSER | SL/10.00 | 985.00 | | |
| | 10/1/1997 | ICE DISPENCER & WATER STA | SL/10.00 | 3,136.60 | 11,677 | 1.6268 |
| | 3/1/1998 | ICE MACHINE | SL/10.00 | 2,187.00 | 2,187 | 1.5943 |
| | 12/31/2001 | CHAIRS | SLP/ 1000 | 1,117.08 | 1,117 | 1.4668 |
| | 8/31/2002 | Counter steamer & equip stand | SLP/10.00 | 4,000.00 | 4,000 | 1.4258 |
| | 6/15/2005 | DISHWASHER-HOBART | SLP/10.00 | 6,542.74 | 6,543 | 1.2104 |
| | 4/17/2009 | 80" VULCAN HART GAS RANGE | SLP/10.00 | 5,150.47 | | |
| | 10/31/09A | STEAM TABLE CLEVELAND RAN | SLP/10.00 | 7,720.04 | 12,871 | 1.0188 |
| | | GRAND TOTAL NUTRITION SERVICES | | 43,980.93 | | 60,159 |

ATTACHMENT-7B

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group

Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM FAK19\413605A1
Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
Cost

| Group... | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|---|--------------|-----------------------------|----------------------|----------------------------|
|: 6772 - IT -NEW | | | | |
| 1/1/2009 IT RELOCATION PROJECT SLP/ 5.00 | 5039.68 | | | |
| 6/1/2009 TELECONFERENCING EQUIPME SLP/ 5.00 | 6,992.42 | | | |
| 12/01/09A 2 SERVERS FOR NETWORK FIL SLP/ 5.00 | 25,339.00 | | | |
| 12/01/09A LICENSES FOR SERVER SLP/ 3.00 | 8,130.00 | 45,501 | 1.0188 | 46,357 |
| 05/01/10A CPSI SERVER SLP/ 5.00 | 55,483.74 | | | 55,484 |
| GRAND TOTAL INFORMATION SYSTEMS | 100,984.84 | | | 101,841 |
|: 6802 - HOUSEKEEPING.LAU EW | | | | |
| 6/1/1991 POWER EAGLE EXTRACTOR SL/15.00 | 1,201.00 | | | |
| 6/1/1992 SPEEDSHINE FLOOR MACHINE SL/ 5.00 | 800.00 | | | |
| 6/1/1991 6 AIR CONDITIONERS SL/ 5.00 | 2,400.00 | | | |
| 6/1/1991 72" MOWER ATTACHMENT SL/ 3.00 | 1,200.00 | | | |
| 6/1/1991 WORK BENCH SL/ 15.00 | 504.00 | | | |
| 6/1/1992 6 SEARS AIR CONDITIONERS SL/ 5.00 | 3,006.00 | | | |
| 6/1/1993 5 18M BTU AIR CONDITIONER SL/ 5.00 | 2,055.00 | | | |
| 9/1/1996 WORK BENCH, SHELF, DRAWR: SL/20.00 | 765.60 | 11,932 | 1.6652 | 19,869 |
| 8/1/1997 WINDOW AIR CONDITIONERS SL/ 5.00 | 999.95 | 1,000 | 1.6268 | 1,627 |
| 09/09/99 MQ YAZOO MOWER SL/ 3.00 | 6,195.00 | | | |
| 09/09/99 MQ 24CD FUJITSU DUAL ZONE HEA SL/10.00 | 1,720.00 | 7,915 | 1.5604 | 12,351 |
| 4/31/91 4 WINDOW AIR CONDITIONERS SL/ 5.00 | 1,876.00 | 1,876 | 1.6652 | 3,124 |
| 3/21/2003 Water Softener SystemERS SLP/10.00 | 11,249.06 | 11,249 | 1.3902 | 15,638 |
| 12/10/2004 SNOWBLOWER SLP/ 5.00 | 598.00 | 598 | 1.277 | 764 |
| GRAND TOTAL OPERATION OF PLANT | 34,569.81 | | | 53,372 |
| | 3,775,319.17 | | | 4,932,477 |

ATTACHMENT-7B

CON_LCMH Asset Major Moveable by Group 1-14-11.xls

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

LAWRENCE COUNTY MEMORIAL HOSPITAL
Analysis of Capital Equipment

1/26/2011 16:45

Asset Depreciation Short Report Sorted by ASSET A/C # and Group
 Company: LAWRENCE COUNTY MEMORIAL HOSPITAL Year End: 6/30/2010
 Method: 4 - BOOK Std Conv Applied File: C: \PROGRAM f AK19\413605A1
 Range: 600 MAJOR MOVEABLE EQUIPMENT MAJOR MOVEABLE EQUIPMENT Include all assets
 Cost

| | Cost | Cost by year of purchase | Conversion Factor | Estimated Current Value |
|-------------------------------------|------------------|--------------------------|-------------------|-------------------------|
| SUMMARY | | | | |
| EQUIPMENT | | | | |
| Buildings | 3,728 | | | |
| Nursing Services | | | | 380,624 |
| Cardiac Rehab | | | | 146,335 |
| Emergency | | | | 162,593 |
| Radiology | | | | 1,885,060 |
| Laboratory | | | | 321,791 |
| Pharmacy | | | | 51,221 |
| Surgery | | | | 390,933 |
| Anesthesia | | | | 35,758 |
| Physical Therapy | | | | 32,223 |
| Cardio Pulmonary | | | | 8,886 |
| Administration | | | | 851,817 |
| Business Office | | | | 122,789 |
| Medical Offices | 149,940 | | | |
| Materials Management | | | | 24,347 |
| Medical Records | | | | 149,058 |
| Nutrition Services - Dietary | 60,159 | | | |
| Information Technology Services | 101,841 | | | |
| Housekeeping | 53,372 | | | |
| SUBTOTAL | 369,039 | | | 4,563,438 |
| LAND & LAND IMPROVEMENTS | 378,105 | | | 378,105 |
| BUILDINGS CALCULATED COSTS | 5,859,190 | | | 13,131,670 |
| GRAND TOTAL | 6,606,334 | | | 11,835,918 |

ATTACHMENT-7B

| | | LAWRENCE COUNTY MEMORIAL HOSPITAL | | 1/27/2011 14:10 | | | | | | | |
|--------------------------------------|-----------|-----------------------------------|---------------|-----------------|--------------|--------------------|-------------------|---------------------|---------------------|--------------|--------|
| | | Hospital Building #1 | | Bldg # 2 | | Bldg # 3 | | Bldg #4 | | Bldg #5 | |
| | | Bldg # 1 | | Bldg # 2 | | Bldg # 3 | | Bldg #4 | | Bldg #7 | |
| Department Summary | Dept # | Sq. Ft. | Non-Clinical | Clinical | Mats Mgm | Generato r Shed | Biohazard Shed | Maintenance Bldg | Medical Office Bldg | | |
| Human Resources | 86 | 0 | 0 | | | | | | | | |
| PFS & IT | 071 / 076 | 1703 | 391690 | | | | | | 87000 | | |
| Materials Management | 80 | 0 | | | 78600 | | | | | | |
| Administration | 70 | 4674 | 1075020 | | | | | | 438625 | | |
| Plant Operations | 82 | 3781 | 869630 | | | 10710 | | 77112 | 1462760 | | |
| Housekeeping | 60 | 872 | 200560 | | | | | | | | |
| Dietary | 50 | 3409 | 784070 | | | | | | | | |
| Nursing Administration | 78 | 369 | | 84870 | | | | | | | |
| Pharmacy | 25 | 472 | | 108560 | | | | | | | |
| HIM | 72 | 1570 | 361100 | | | | | | | | |
| UR | 74 | 128 | | 29440 | | | | | | | |
| Med / Surg | 1 | 7204 | | 1656920 | | | | | | | |
| Surgery | 4 | 6286 | | 1445780 | | | | | | | |
| Anesthesia | 18 | 136 | | 31280 | | | | | | | |
| Radiology | 15 | 2114 | | 486220 | | | | | | | |
| Lab | 20 | 1022 | | 235060 | | | | | | | |
| Blood Processing | 21 | 100 | | 23000 | | | | | | | |
| Cardio Pulmonary | 17 | 897 | | 206310 | | | | | | | |
| Physical Therapy | 35 | 1181 | | 271630 | | | | | | | |
| Cardiac Rehab | 5 | 480 | | 110400 | | | | | | | |
| Emergency | 10 | 2382 | | 547860 | | | | | | | |
| Surgical Clinic | 40 | 2471 | | 568330 | | | | | | | |
| RHC IM | 42 | 0 | | | | | | | | | 530845 |
| RHC FP | 41 | 0 | | | | | | | | | 405130 |
| Private Practice Totals MOB | | 0 | | | | | | | | | 530845 |
| Total Hospital Square Footage | | 41251 | 16,009 | 25,242 | 1,200 | 180 | 375 | 1,296 | 13,713 | 11234 | |

ATTACHMENT-7C

IHF SRB APPLICATION FOR PERMIT - LAWRENCE COUNTY MEMORIAL HOSPITAL/CONVERSION

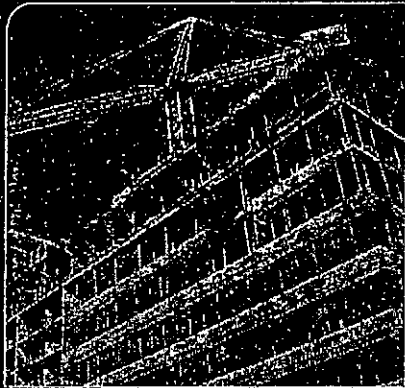
| Estimated cost based on sq. ft. | 3,682,070 | 5,805,660 | 78,600 | 10,710 | 22,313 | 77,112 | 1,988,385 | 1,466,820 |
|--|--------------------------------|-----------|--------|--------|-----------|-----------|------------------------------------|-----------|
| LAWRENCE COUNTY MEMORIAL HOSPITAL | | | | | | | | |
| Summary of Costs based on Sq. Ft. | | | | | | | | |
| Hospital Building | Total Square Feet for Building | | 16,009 | 25,242 | Total | 41,251 | Total Calculated Cost for Building | |
| | Non-Clinical | Clinical | | | | | Non-Clinical | Clinical |
| Materials Management | 1,200 | | 1,200 | | 78,600 | | 78,600 | |
| Generator Shed | 180 | | 180 | | 10,710 | | 10,710 | |
| Biohazard Shed | 375 | | 375 | | 22,313 | | 22,313 | |
| Maintenance Building | 1,296 | | 1,296 | | 77,112 | | 77,112 | |
| Medical Office Building | 13,713 | 11,234 | 24,947 | | 1,988,385 | 1,466,820 | 3,455,205 | |
| GRAND TOTALS | 32,773 | 36,476 | 69,249 | | 5,859,190 | 7,272,480 | 13,131,670 | |

ATTACHMENT-7C

ATTACHMENT-7C

RSMMeans Building Construction Cost Data

More than 23,000 completely updated unit price lines



6 9 t h A N N U A L E D I T I O N

2011

COST DATA FROM THE MOST QUOTED NAME IN CONSTRUCTION

Historical Cost Indexes

The table below lists both the RSMeans Historical Cost Index based on Jan. 1, 1993 = 100 as well as the computed value of an index based on Jan. 1, 2011 costs. Since the Jan. 1, 2011 figure is estimated, space is left to write in the actual index figures as they become available through either the quarterly Means Construction Cost Indexes or as printed in

the Engineering News-Record. To compute the actual index based on Jan. 2011 = 100, divide the Historical Cost Index for a particular year by the Jan. 1, 2011 Construction Cost Index. Space has been left to advance the index figures as the year progresses.

| Year | Historical Cost Index Jan. 1, 1993 = 100 | | Current Index Based on Jan. 1, 2011 = 100 | | Year | Historical Cost Index Jan. 1, 1993 = 100 | Current Index Based on Jan. 1, 2011 = 100 | | Year | Historical Cost Index Jan. 1, 1993 = 100 | Current Index Based on Jan. 1, 2011 = 100 | |
|-------------|---|--------|---|--------|-----------|--|---|--------|-----------|--|---|--------|
| | Est. | Actual | Est. | Actual | | | Est. | Actual | | | Est. | Actual |
| Oct 2011* | | | | | July 1996 | 110.2 | 59.6 | | July 1978 | 53.5 | 28.9 | |
| July 2011* | | | | | 1995 | 107.6 | 58.2 | | 1977 | 49.5 | 26.8 | |
| April 2011* | | | | | 1994 | 104.4 | 56.4 | | 1976 | 46.9 | 25.4 | |
| Jan 2011* | 185.0 | | 100.0 | 100.0 | 1993 | 101.7 | 55.0 | | 1975 | 44.8 | 24.2 | |
| July 2010 | | 183.5 | 99.2 | | 1992 | 99.4 | 53.7 | | 1974 | 41.4 | 22.4 | |
| 2009 | | 180.1 | 97.4 | | 1991 | 96.8 | 52.3 | | 1973 | 37.7 | 20.4 | |
| 2008 | | 180.4 | 97.5 | | 1990 | 94.3 | 51.0 | | 1972 | 34.8 | 18.8 | |
| 2007 | | 169.4 | 91.6 | | 1989 | 92.1 | 49.8 | | 1971 | 32.1 | 17.4 | |
| 2006 | | 162.0 | 87.6 | | 1988 | 89.9 | 48.6 | | 1970 | 28.7 | 15.5 | |
| 2005 | | 151.6 | 81.9 | | 1987 | 87.7 | 47.4 | | 1969 | 26.9 | 14.5 | |
| 2004 | | 143.7 | 77.7 | | 1986 | 84.2 | 45.5 | | 1968 | 24.9 | 13.5 | |
| 2003 | | 132.0 | 71.4 | | 1985 | 82.6 | 44.7 | | 1967 | 23.5 | 12.7 | |
| 2002 | | 128.7 | 69.6 | | 1984 | 82.0 | 44.3 | | 1966 | 22.7 | 12.3 | |
| 2001 | | 125.1 | 67.5 | | 1983 | 80.2 | 43.3 | | 1965 | 21.7 | 11.7 | |
| 2000 | | 120.9 | 65.4 | | 1982 | 76.1 | 41.2 | | 1964 | 21.2 | 11.5 | |
| 1999 | | 117.6 | 63.6 | | 1981 | 70.0 | 37.8 | | 1963 | 20.7 | 11.2 | |
| 1998 | | 115.1 | 62.2 | | 1980 | 62.9 | 34.0 | | 1962 | 20.2 | 10.9 | |
| 1997 | | 112.8 | 61.0 | | 1979 | 57.8 | 31.2 | | 1961 | 19.8 | 10.7 | |

Adjustments to Costs

The Historical Cost Index can be used to convert National Average building costs at a particular time to the approximate building costs for some other time.

Time Adjustment using the Historical Cost Indexes:

$$\frac{\text{Index for Year A}}{\text{Index for Year B}} \times \text{Cost in Year B} = \text{Cost in Year A}$$

Example:

Estimate and compare construction costs for different years in the same city.

To estimate the National Average construction cost of a building in 1970, knowing that it cost \$900,000 in 2011:

INDEX in 1970 = 28.7

INDEX in 2011 = 185.0

$$\frac{\text{INDEX 1970}}{\text{INDEX 2011}} \times \text{Cost 2011} = \text{Cost 1970}$$

$$\frac{28.7}{185.0} \times \$900,000 = .155 \times \$900,000 = \$139,500$$

The construction cost of the building in 1970 is \$139,500.

Note: The City Cost Indexes for Canada can be used to convert U.S. National averages to local costs in Canadian dollars.

$$\frac{185}{28.7} \times 139,500 = 6.44 \times 139,500 = 897,780$$

*Historical Cost Index updates and other resources are provided on the following website:
<http://www.reedconstructiondata.com/rsmeans/chgnotice/842339>

$$2009 = \frac{183.5}{180.1} = 1.0188$$

$$2003 = \frac{183.5}{132.0} = 1.3902$$

$$1998 = \frac{183.5}{115.1} = 1.5942$$

$$2008 = \frac{183.5}{180.4} = 1.0172$$

$$2002 = \frac{183.5}{128.7} = 1.4258$$

$$1997 = \frac{183.5}{112.8} = 1.6268$$

$$2007 = \frac{183.5}{169.4} = 1.0832$$

$$2001 = \frac{183.5}{125.1} = 1.4668$$

$$1996 = \frac{183.5}{110.2} = 1.6651$$

$$2006 = \frac{183.5}{160.2} = 1.1454$$

$$2000 = \frac{183.5}{120.9} = 1.5178$$

$$2005 = \frac{183.5}{151.6} = 1.2104$$

$$1999 = \frac{183.5}{117.6} = 1.5604$$

$$2004 = \frac{183.5}{143.7} = 1.2770$$

17 | Square Foot Costs

| 10 17 00 S.F. Costs | UNIT | UNIT COSTS | | | % OF TOTAL | | |
|--|------|------------|---------|---------|------------|--------|--------|
| | | 1/4 | MEDIAN | 3/4 | 1/4 | MEDIAN | 3/4 |
| 0 GARAGES, PARKING | S.F. | 34.50 | 50.50 | 86.50 | | | |
| 0 Total project costs | C.F. | 3.24 | 4.40 | 6.40 | | | |
| 0 Plumbing | S.F. | .98 | 1.52 | 2.34 | 1.72% | 2.70% | 3.85% |
| 0 Electrical | ↓ | 1.89 | 2.32 | 3.65 | 4.33% | 5.20% | 6.30% |
| 0 Total: Mechanical & Electrical | ↓ | 3.87 | 5.40 | 6.70 | 7% | 8.90% | 11.05% |
| 0 Per car, total cost | Car | 14,600 | 18,300 | 23,300 | | | |
| 0 GYMNASIUMS | S.F. | 96 | 128 | 173 | | | |
| 0 Total project costs | C.F. | 4.79 | 6.50 | 8 | | | |
| 0 Equipment | S.F. | 2.28 | 4.28 | 8.20 | 1.98% | 3.30% | 6.70% |
| 0 Plumbing | ↓ | 6.05 | 7.20 | 9.30 | 4.65% | 6.40% | 7.75% |
| 0 Heating, ventilating, air conditioning | ↓ | 6.55 | 9.95 | 19.95 | 5.15% | 9.05% | 11.10% |
| 0 Electrical | ↓ | 7.40 | 10.05 | 13.25 | 6.60% | 8.30% | 10.30% |
| 0 Total: Mechanical & Electrical | ↓ | 27 | 36.50 | 43.50 | 19.60% | 23.50% | 28% |
| 0 See also division 11 67 00 | | | | | | | |
| 0 HOSPITALS | S.F. | 184 | 230 | 315 | | | |
| 0 Total project costs | C.F. | 13.95 | 17.40 | 25 | | | |
| 0 Equipment | S.F. | 4.68 | 9 | 15.50 | .80% | 2.53% | 4.80% |
| 0 Plumbing | ↓ | 15.85 | 22.50 | 29 | 7.60% | 9.10% | 10.85% |
| 0 Heating, ventilating, air conditioning | ↓ | 23.50 | 30 | 41.50 | 7.80% | 12.95% | 16.65% |
| 0 Electrical | ↓ | 20.50 | 27.50 | 39 | 9.90% | 11.75% | 14.10% |
| 0 Total: Mechanical & Electrical | ↓ | 59.50 | 82.50 | 123 | 28% | 33.50% | 37% |
| 0 Per bed or person, total cost | Bed | 213,500 | 294,000 | 338,500 | | | |
| 0 See also division 11 71 00 | | | | | | | |
| 0 HOUSING For the Elderly | S.F. | 90.50 | 115 | 141 | | | |
| 0 Total project costs | C.F. | 6.45 | 8.95 | 11.45 | | | |
| 0 Site work | S.F. | 6.30 | 9.80 | 14.35 | 5.05% | 7.90% | 12.10% |
| 0 Masonry | ↓ | 2.76 | 10.30 | 15.05 | 1.30% | 6.05% | 11% |
| 0 Equipment | ↓ | 2.19 | 3.02 | 4.80 | 1.88% | 3.23% | 4.43% |
| 0 Conveying systems | ↓ | 2.20 | 2.96 | 4.02 | 1.78% | 2.20% | 2.81% |
| 0 Plumbing | ↓ | 6.75 | 8.60 | 10.80 | 8.15% | 9.55% | 10.50% |
| 0 Heating, ventilating, air conditioning | ↓ | 3.45 | 4.89 | 7.30 | 3.30% | 5.60% | 7.25% |
| 0 Electrical | ↓ | 6.75 | 9.15 | 11.75 | 7.30% | 8.50% | 10.25% |
| 0 Total: Mechanical & Electrical | ↓ | 24.50 | 29 | 37 | 18.10% | 22.50% | 29% |
| 0 Per rental unit, total cost | Unit | 84,500 | 98,500 | 110,000 | | | |
| 0 Total: Mechanical & Electrical | • | 18,800 | 21,600 | 25,200 | | | |
| 0 HOUSING Public (Low Rise) | S.F. | 76 | 106 | 138 | | | |
| 0 Total project costs | C.F. | 6.80 | 8.45 | 10.50 | | | |
| 0 Site work | S.F. | 9.70 | 13.95 | 22.50 | 8.35% | 11.75% | 16.50% |
| 0 Equipment | ↓ | 2.07 | 3.38 | 5.15 | 2.26% | 3.03% | 4.24% |
| 0 Plumbing | ↓ | 5.50 | 7.25 | 9.20 | 7.15% | 9.08% | 11.60% |
| 0 Heating, ventilating, air conditioning | ↓ | 2.76 | 5.35 | 5.85 | 4.26% | 6.05% | 6.45% |
| 0 Electrical | ↓ | 4.61 | 6.85 | 9.50 | 5.10% | 6.55% | 8.25% |
| 0 Total: Mechanical & Electrical | ↓ | 22 | 28 | 31.50 | 14.50% | 17.55% | 26.50% |
| 0 Per apartment, total cost | Apt. | 83,500 | 95,000 | 119,500 | | | |
| 0 Total: Mechanical & Electrical | • | 17,800 | 22,000 | 24,400 | | | |
| 0 ICE SKATING RINKS | S.F. | 65 | 152 | 167 | | | |
| 0 Total project costs | C.F. | 4.79 | 4.90 | 5.65 | | | |
| 0 Plumbing | S.F. | 2.43 | 4.55 | 4.66 | 3.12% | 3.23% | 5.65% |
| 0 Electrical | ↓ | 6.95 | 10.70 | 11.30 | 6.30% | 10.15% | 15.05% |
| 0 Total: Mechanical & Electrical | ↓ | 11.55 | 16.35 | 20 | 18.95% | 18.95% | 18.95% |
| 0 JAILS | S.F. | 198 | 256 | 330 | | | |
| 0 Total project costs | C.F. | 17.85 | 25 | 29 | | | |
| 0 Equipment | S.F. | 7.75 | 23 | 39 | 2.77% | 5.55% | 10.35% |
| 0 Plumbing | ↓ | 19.10 | 25.50 | 34 | 7% | 8.90% | 13.35% |
| 0 Heating, ventilating, air conditioning | ↓ | 17.90 | 24 | 46 | 7.50% | 9.45% | 17.75% |
| 0 Electrical | ↓ | 21 | 28 | 35 | 8.80% | 11.55% | 14.95% |

revised
D-5-24

8/17

50 17 | Square Foot Costs

| 50 17 00 S.F. Costs | | UNIT | UNIT COSTS | | | % OF TOTAL | | |
|---|---|-------------|------------|--------|--------|------------|--------|--------|
| | | | 1/4 | MEDIAN | 3/4 | 1/4 | MEDIAN | 3/4 |
| 52 | 3100 Total: Mechanical & Electrical | S.F. | 54 | 98.50 | 117 | 27.50% | 30% | 34% |
| 53 | 0010 LIBRARIES | S.F. | 127 | 162 | 209 | | | |
| | 0020 Total project costs | C.F. | 8.55 | 10.75 | 13.70 | | | |
| | 0500 Masonry | S.F. | 10 | 17.50 | 29.50 | 5.80% | 7.60% | 11.60% |
| | 1800 Equipment | | 1.71 | 4.60 | 6.95 | .37% | 1.50% | 4.07% |
| | 2720 Plumbing | | 4.63 | 6.75 | 9.10 | 3.38% | 4.60% | 5.70% |
| | 2770 Heating, ventilating, air conditioning | | 10.25 | 17.35 | 22.50 | 7.80% | 10.95% | 12.80% |
| | 2900 Electrical | | 12.85 | 16.65 | 21.50 | 8.35% | 10.30% | 11.95% |
| | 3100 Total: Mechanical & Electrical | | 37.50 | 48 | 59.50 | 20.50% | 23% | 26.50% |
| 54 | 0010 LIVING, ASSISTED | S.F. | 116 | 137 | 161 | | | |
| | 0020 Total project costs | C.F. | 9.75 | 11.40 | 12.95 | | | |
| | 0500 Masonry | S.F. | 3.41 | 4.06 | 4.77 | 2.36% | 3.16% | 3.86% |
| | 1800 Equipment | | 2.63 | 3.06 | 3.92 | 2.12% | 2.47% | 2.87% |
| | 2720 Plumbing | | 9.70 | 13 | 13.45 | 6.05% | 8.15% | 10.60% |
| | 2770 Heating, ventilating, air conditioning | | 11.50 | 12.05 | 13.20 | 7.95% | 9.35% | 9.70% |
| | 2900 Electrical | | 11.35 | 12.55 | 14.50 | 9% | 10% | 10.70% |
| | 3100 Total: Mechanical & Electrical | | 31.50 | 37 | 43 | 25% | 28.50% | 31.50% |
| 55 | 0010 MEDICAL CLINICS | S.F. | 118 | 145 | 184 | | | |
| | 0020 Total project costs | C.F. | 8.65 | 11.20 | 14.85 | | | |
| | 1800 Equipment | S.F. | 3.19 | 6.70 | 10.40 | 1.05% | 2.94% | 6.35% |
| | 2720 Plumbing | | 7.85 | 11.05 | 14.75 | 6.15% | 8.40% | 10.10% |
| | 2770 Heating, ventilating, air conditioning | | 9.35 | 12.25 | 18 | 6.65% | 8.85% | 11.35% |
| | 2900 Electrical | | 10.15 | 14.40 | 18.80 | 8.10% | 10% | 12.25% |
| | 3100 Total: Mechanical & Electrical | | 32.50 | 44 | 60 | 22.50% | 27% | 33.50% |
| | 3500 See also division 11 71 00 | | | | | | | |
| 57 | 0010 MEDICAL OFFICES | S.F. | 111 | 137 | 168 | | | |
| | 0020 Total project costs | C.F. | 8.30 | 11.20 | 15.15 | | | |
| | 1800 Equipment | S.F. | 3.66 | 7.25 | 10.30 | .70% | 5.10% | 7.05% |
| | 2720 Plumbing | | 6.15 | 9.45 | 12.75 | 5.60% | 6.80% | 8.50% |
| | 2770 Heating, ventilating, air conditioning | | 7.40 | 10.70 | 14.10 | 6.10% | 8% | 9.70% |
| | 2900 Electrical | | 9.05 | 12.85 | 17.90 | 7.60% | 9.80% | 11.40% |
| | 3100 Total: Mechanical & Electrical | | 24 | 34.50 | 50 | 19.30% | 22.50% | 28.50% |
| | 59 | 0010 MOTELS | S.F. | 70 | 101 | 132 | | |
| 0020 Total project costs | | C.F. | 6.25 | 8.35 | 13.65 | | | |
| 2720 Plumbing | | S.F. | 7.10 | 9.05 | 10.75 | 9.45% | 10.60% | 12.55% |
| 2770 Heating, ventilating, air conditioning | | | 4.32 | 6.45 | 11.55 | 5.60% | 5.60% | 10% |
| 2900 Electrical | | | 6.60 | 8.35 | 10.40 | 7.45% | 9.05% | 10.45% |
| 3100 Total: Mechanical & Electrical | | | 21 | 28 | 48.50 | 18.50% | 24% | 25.50% |
| 5000 | | | | | | | | |
| 9000 Per rental unit, total cost | | Unit | 35,600 | 67,500 | 73,000 | | | |
| 9500 Total: Mechanical & Electrical | | 6,950 | 10,500 | 12,200 | | | | |
| 60 | 0010 NURSING HOMES | S.F. | 110 | 142 | 173 | | | |
| | 0020 Total project costs | C.F. | 8.60 | 10.75 | 14.70 | | | |
| | 1800 Equipment | S.F. | 3.46 | 4.58 | 7.65 | 2.02% | 3.62% | 4.99% |
| | 2720 Plumbing | | 9.40 | 14.25 | 17.15 | 8.75% | 10.10% | 12.70% |
| | 2770 Heating, ventilating, air conditioning | | 9.90 | 15.05 | 19.90 | 9.70% | 11.45% | 11.80% |
| | 2900 Electrical | | 10.85 | 13.55 | 18.45 | 9.40% | 10.55% | 12.45% |
| | 3100 Total: Mechanical & Electrical | | 26 | 36.50 | 60.50 | 26% | 29.50% | 30.50% |
| | 9000 Per bed or person, total cost | Bed | 48,700 | 61,000 | 78,500 | | | |
| 61 | 0010 OFFICES Low Rise (1 to 4 story) | S.F. | 92.50 | 120 | 156 | | | |
| | 0020 Total project costs | C.F. | 6.60 | 9.10 | 12 | | | |
| | 0100 Site work | S.F. | 7.40 | 13.15 | 19.35 | 6.20% | 9.70% | 13.55% |
| | 0500 Masonry | | 3.58 | 7.35 | 13.15 | 2.62% | 5.45% | 8.45% |
| | 1800 Equipment | | .98 | 1.92 | 5.25 | .60% | 1.50% | 3.50% |
| | 2720 Plumbing | | 3.31 | 5.10 | 7.50 | 3.66% | 4.50% | 6.10% |
| | 2770 Heating, ventilating, air conditioning | | 7.30 | 10.20 | 14.90 | 7.20% | 10.30% | 11.70% |
| | 2900 Electrical | | 7.55 | 10.75 | 15.25 | 7.45% | 9.65% | 11.35% |

17 | Square Foot Costs

| 50 17 00 S.F. Costs | | UNIT | UNIT COSTS | | | % OF TOTAL | | | |
|-----------------------|--|------|------------|--------|-------|------------|--------|--------|----|
| | | | 1/4 | MEDIAN | 3/4 | 1/4 | MEDIAN | 3/4 | |
| 900 | Electrical | S.F. | 15.55 | 24.50 | 43.50 | 10.90% | 14% | 17.85% | 87 |
| 100 | Total: Mechanical & Electrical | ↓ | 46 | 87 | 123 | 29.50% | 33.50% | 44.50% | |
| 010 | THEATERS | S.F. | 96 | 120 | 182 | | | | 91 |
| 020 | Total project costs | C.F. | 4.44 | 6.55 | 9.65 | | | | |
| 720 | Plumbing | S.F. | 3.20 | 3.47 | 14.20 | 2.92% | 4.70% | 6.80% | |
| 770 | Heating, ventilating, air conditioning | ↓ | 9.35 | 11.30 | 14 | 8% | 12.25% | 13.40% | |
| 900 | Electrical | ↓ | 8.40 | 11.35 | 23 | 8.05% | 9.35% | 12.25% | |
| 100 | Total: Mechanical & Electrical | ↓ | 21.50 | 29 | 34.50 | 21.50% | 25.50% | 27.50% | |
| 010 | TOWN HALLS City Halls & Municipal Buildings | S.F. | 107 | 136 | 178 | | | | 94 |
| 020 | Total project costs | C.F. | 9.80 | 11.75 | 16.50 | | | | |
| 720 | Plumbing | S.F. | 4.48 | 8.40 | 15.40 | 4.31% | 5.95% | 7.95% | |
| 770 | Heating, ventilating, air conditioning | ↓ | 8.10 | 16.10 | 23.50 | 7.05% | 9.05% | 13.45% | |
| 900 | Electrical | ↓ | 10.20 | 14.55 | 19.85 | 8.05% | 9.45% | 11.65% | |
| 100 | Total: Mechanical & Electrical | ↓ | 35.50 | 45 | 68.50 | 22% | 26.50% | 31% | |
| 010 | WAREHOUSES & Storage Buildings | S.F. | 40 | 59.50 | 85.50 | | | | 97 |
| 020 | Total project costs | C.F. | 2.10 | 3.28 | 5.45 | | | | |
| 100 | Site work | S.F. | 4.13 | 8.20 | 12.40 | 6.05% | 12.95% | 19.85% | |
| 500 | Masonry | ↓ | 2.41 | 5.70 | 12.30 | 3.73% | 7.40% | 12.30% | |
| 800 | Equipment | ↓ | .64 | 1.39 | 7.80 | .91% | 1.82% | 5.55% | |
| 720 | Plumbing | ↓ | 1.34 | 2.39 | 4.48 | 2.90% | 4.80% | 6.55% | |
| 730 | Heating, ventilating, air conditioning | ↓ | 1.53 | 4.30 | 5.75 | 2.41% | 5% | 8.90% | |
| 900 | Electrical | ↓ | 2.37 | 4.46 | 7.40 | 5.15% | 7.20% | 10.10% | |
| 100 | Total: Mechanical & Electrical | ↓ | 6.60 | 10.15 | 20 | 12.75% | 18.90% | 26% | |
| 010 | WAREHOUSE & OFFICES Combination | S.F. | 49 | 65.50 | 90 | | | | 99 |
| 020 | Total project costs | C.F. | 2.52 | 3.66 | 5.40 | | | | |
| 800 | Equipment | S.F. | .86 | 1.65 | 2.46 | .52% | 1.20% | 2.40% | |
| 720 | Plumbing | ↓ | 1.90 | 3.37 | 4.93 | 3.74% | 4.76% | 6.30% | |
| 770 | Heating, ventilating, air conditioning | ↓ | 3 | 4.69 | 6.55 | 5% | 5.65% | 10.05% | |
| 900 | Electrical | ↓ | 3.30 | 4.91 | 7.75 | 5.75% | 8% | 10% | |
| 100 | Total: Mechanical & Electrical | ↓ | 9.20 | 14.20 | 22.50 | 14.40% | 19.95% | 24.50% | |

Order 7

BACKGROUND OF CO-APPLICANTS

ATTACHMENT-11 consists of the following documents:

- A. IDPH Hospital License
- B. CMS Notification of Compliance with Medicare Conditions of Participation
- C. Authorization executed by Lawrence County
- D. Authorization executed by Lawrence County Memorial Hospital (the new corporation)

ATTACHMENT-11

1982810

State of Illinois
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
 DIRECTOR

Issued under the authority of
 The State of Illinois
 Department of Public Health

| EXPIRATION DATE | CATEGORY | ISSUE NUMBER |
|-----------------|----------|--------------|
| 06/30/11 | BGBD | 0001255 |

FULL LICENSE
 CRITICAL ACCESS HOSP
 EFFECTIVE: 07/01/10

BUSINESS ADDRESS

LAWRENCE COUNTY MEMORIAL HOSPITAL
 2200 WEST STATE STREET
 LAWRENCEVILLE, IL 62439

The face of this license has a colored background. Printed by Authority of the State of Illinois 3/4/97

ATTACHMENT-11A

Midwestern Consortium
Division of Survey and Certification



Refer to: N3

April 18, 2005

Sylvia L. Pulleyblank, CEO
Lawrence County Memorial Hospital
2200 West State Street
Lawrenceville, IL 62439

Dear Ms. Pulleyblank:

We are pleased to notify you that Lawrence County Memorial Hospital meets the requirements at 42 Code of Federal Regulations (CFR), Part 485, for participation in the Medicare Program as a Critical Access Hospital (CAH). This certification is based on the acceptable Plan of Correction for the Life Safety Code deficiencies that were cited in the initial CAH survey conducted by the Illinois Department of Public Health on November 9, 2004. The Illinois Department of Public Health will conduct follow-up surveys to insure that the hospital is complying with the Plan of Correction. The effective date of this approval is April 1, 2005.

Effective with this approval, Lawrence County Memorial Hospital's participation as an acute care hospital under the provider number 14-0024 has been cancelled, effective April 1, 2005. Your new provider number for your CAH is 14-1344. This provider number should be used on all correspondence and billing for the Medicare program starting April 1, 2005.

Lawrence County Memorial Hospital has also been approved to provide post-hospital skilled nursing care as specified in 42 CFR - Part 409.30. Swing-bed CAHs are assigned an additional provider number with an alpha-character in the third position, the letter Z. Your swing bed number is 14Z344. This is the number you will use for all your swing-bed services on or after April 1, 2005.

Lawrence County Memorial Hospital has also been approved to provide psychiatric services as specified in 42 CFR §485.647 Psychiatric Distinct Part Unit (DPU), Compliance with §482 Hospital Conditions of Participation. Psychiatric DPUs are assigned an additional provider number with an alpha-character in the third position, the letter M. Your DPU provider number is 14M344. This is the number you will use for all your psychiatric DPU services on or after April 1, 2005.

The change in status of Lawrence County Memorial Hospital will require that limited services begin no later than April 1, 2005. As of that date, you may operate no more than 35 beds. Twenty five of these beds can be used interchangeably for acute care or swing bed services. Ten beds can be used for psychiatric services.

Mutual of Omaha is your fiscal intermediary. Questions concerning billing and other fiscal matters should be directed to them. Questions related to the Conditions of Participation should be directed to your state agency.

233 North Michigan Avenue
Suite 600
Chicago, Illinois 60601-5519

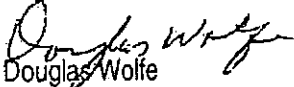
Richard Bolling Federal Building
601 East 12th Street, Room 235
Kansas City, Missouri 64106-2808
ATTACHMENT-11B

Page 2

Pulleyblank

We welcome your participation and look forward to working with you in the administration of the Medicare program. If you have any other questions, please contact Doris Johnson in the Chicago office at 312-353-5194.

Sincerely,


Douglas Wolfe
Program Representative
Non Long Term Care Branch

cc: Illinois Department of Public Health
Mutual of Omaha
Patricia Schou
Illinois Foundation for Quality Health Care

ATTACHMENT-11B

Midwestern Consortium
Division of Survey and Certification



Provider Number: 14-1344

July 5, 2006

Sylvia L. Pulleyblank, CEO
Lawrence County Memorial Hospital
2200 West State Street
Lawrenceville, IL 62439

Dear Ms. Pulleyblank:

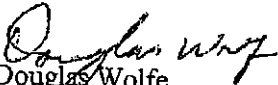
On April 18, 2005, we informed you that your Medicare certification was based on an acceptable plan of correction for the Life Safety Code (LSC) deficiencies that were cited in the initial CAH survey conducted by the Illinois Department of Public Health on November 9, 2004. In addition, we informed you that the Illinois Department of Public Health would conduct LSC monitoring surveys to insure that the hospital is complying with the Plan of Correction.

The IDPH conducted surveys to monitor the progress on your plan of correction. The June 15, 2006 monitoring survey revealed that your hospital is now in compliance with the Conditions of Participation.

Therefore, the IDPH will no longer conduct monitoring surveys of your hospital.

We appreciate your cooperation. If you have questions, I may be reached in the Chicago office at (312) 886-5214.

Sincerely,


Douglas Wolfe
Program Representative
Non-Long Term Care Branch

cc: Illinois Department of Public Health

ATTACHMENT-11B

233 North Michigan Avenue
Suite 600
Chicago, Illinois 60601-5519

Richard Bolling Federal Building
601 East 12th Street, Room 235
Kansas City, Missouri 64106-2808

LAWRENCE COUNTY
1100 State Street
Lawrenceville, Illinois 62439

AUTHORIZATION

The Board of Lawrence County, Illinois, as owner of Lawrence County Memorial Hospital, Lawrenceville, Illinois, hereby grants HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

William W. Gray
SIGNATURE

WILLIAM GRAY
CHAIRPERSON of the BOARD OF
LAWRENCE COUNTY, ILLINOIS

Kerry J. Emons
SIGNATURE

KERRY J. EMMONS
CHAIRMAN, FINANCE COMMITTEE of the
BOARD OF LAWRENCE COUNTY, ILLINOIS

Notarization:
Subscribed and sworn to before me
this 8th day of February,
20 11.

Notarization:
Subscribed and sworn to before me
this 8th day of February,
20 11.

Sharon Musgrove
Signature of Notary Public

Sharon Musgrove
Signature of Notary Public

(Seal)
"OFFICIAL SEAL"
SHARON MUSGROVE
Notary Public, State of Illinois
My Commission Expires: 5/21/2014

(Seal)
"OFFICIAL SEAL"
SHARON MUSGROVE
Notary Public, State of Illinois
My Commission Expires: 5/21/2014

ATTACHMENT-11C



AUTHORIZATION

Lawrence County Memorial Hospital, an Illinois not-for-profit corporation, hereby grants HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

Douglas Florkowski
SIGNATURE

Gerald Klein
SIGNATURE

DOUGLAS FLORKOWSKI
CHIEF EXECUTIVE OFFICER
LAWRENCE COUNTY MEMORIAL
HOSPITAL
(an Illinois not-for-profit corporation)

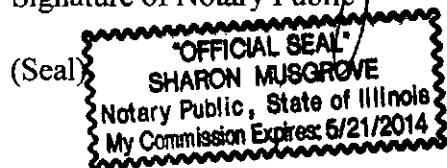
GERALD KLEIN
CHIEF FINANCIAL OFFICER
LAWRENCE COUNTY MEMORIAL
HOSPITAL
(an Illinois not-for-profit corporation)

Notarization:
Subscribed and sworn to before me
this 8th day of February,
20 11.

Notarization:
Subscribed and sworn to before me
this 8th day of February,
20 11.

Sharon Musgrove
Signature of Notary Public

Sharon Musgrove
Signature of Notary Public



ATTACHMENT-11D

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The proposed project will relieve financial strains on Lawrence County and enable the hospital to function in a more fiscally sound manner. Not-for-profit ownership, as opposed to county ownership, will assure the continued existence of a Critical Access Hospital in southeastern Illinois. The existence of a hospital in Lawrenceville is essential to the well-being of the population of the County and one that can function on an economical basis will improve the health care offered.

2. Define the planning area or market area, or other, per the applicant's definition.

The hospital's planning area or primary market area consists of Lawrence County. In the fiscal year ending June, 2010, 93% of patients resided in the County, 4% originated from the surrounding Counties of Richland, Crawford, and Wabash, and 3% came to the hospital from areas not previously mentioned.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

Similar to many governmental units within Illinois, including the State itself, that are faced with falling revenues, the County has experienced financial pressures to reduce expenditures and responsibilities for services. To the extent that the hospital is not a separate entity but is a component of the County, the County is ultimately responsible for the administration of the hospital. The complexities of running and financing a modern health care provider create many issues and liabilities that a local government may not necessarily be prepared to handle efficiently. In addition, many not-for-profit hospitals depend on contributions

from the public, an effort not so easily accomplished by a unit of local government to which taxpayers already pay significant sums.

Furthermore, a governmental hospital has the potential of causing a financial drain on its owner. For example, one of the County's major expenditures is its contribution to the Illinois Municipal Retirement Fund ("IMRF") for covered County employees. As a component of Lawrence County, the existing hospital is not a separate entity from the County. Consequently, most of its 150-plus employees are covered under IMRF. Contributions to IMRF are determined under an actuarially determined rate and are limited to a maximum annual amount. For fiscal years ending 2010, 2009 and 2008, the County paid payroll taxes and retirement contributions of \$274,327.60 (only 10 payments were made in FY2010 as the County tried to reduce its expenses), \$319,889 and \$323,465, respectively. The strain of these annual contributions on the County threatens its ability to continue providing health care to the Lawrence County Community.

Finally, the entire reimbursement system for hospitals is complex and needs to be managed in a constantly changing and flexible manner. A rural hospital with a substantial Medicaid population like that in Lawrence County presents even more issues. In the fiscal year ending June 30, 2010, the hospital experienced a deficiency of revenues over expenses that exceeded \$329,000. The previous year the deficiency was over \$1.1 million.

4. Cite the sources of the information provided as documentation.

Market area information was generated from the hospital's information system on total accounts receivable for fiscal year ending June 30, 2010.

Information on required contributions to IMRF is taken from the hospital's audited financial statements for the fiscal year ending June 30, 2010.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

Converting the hospital from a government-owned entity to one owned and operated by a not-for-profit corporation will help address many of the issues that have spurred the proposed project. First, a new not-for-profit corporation will employ its own employees, who will not be subject to IMRF. Lawrence County Memorial Hospital (the new corporation) will, of course, offer a retirement plan under IRC § 401 to which it and its employees may contribute. The major difference between that kind of plan and IMRF, however, is that employer contributions can be based on the hospital's financial situation and not on a percentage required by law. This one change will significantly benefit both the County, which will be completely relieved of those pension costs for hospital employees, and the new hospital corporation, which can make sound business decisions that are based on its financial capabilities and its abilities to attract and keep competent employees.

Second, the new not-for-profit corporation will be directed by a community board that will be self-sufficient. New board members, when needed to replace those who leave or reach their term limits, can be replaced with community members who are not necessarily aligned with a political party, but who offer various experiences in health care or business, who represent various community demographic constituencies, who have important business connections within the community, or who have philanthropic interests in the hospital. Consequently, board members and the community at large may become more invested in the success of a not-for-profit hospital than in one owned by the government. Management of the hospital hopes that contributions of time and money will increase and that an endowment fund can develop and grow.

Third, hospital administrators have concluded that operating as a separate entity could facilitate more efficient responses to various financial issues. They will have more flexibility to improve the financial performance of the hospital and thereby help to assure its continued existence in Lawrence County.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The proposed project can be completed as early as the date a Certificate of Need Permit is granted, a new hospital license is issued, and the new corporation obtains federal tax-exempt status. All transfer documents have been drafted but not signed, contingent on the CON Permit and license, and new retirement plans, insurance policies, employment agreements, and all other documentation are ready to be implemented. There will be no change in service; the public will not notice any difference from one day to the next.

The objectives of the proposed conversion are to alleviate a financial burden from Lawrence County and to improve the financial position of the hospital. The County will achieve its objective immediately. The hospital, as operated by the new corporation, will also see immediate relief, but will require more time to achieve longer-term goals, such as improved efficiencies or improved reimbursements which can only come from Medicare after a cost report is filed with the new operations.

Under the new corporation, the hospital would be afforded the opportunity to replace the Illinois Municipal Retirement Fund plan with a market driven retirement program (401k or 403b). The anticipated savings from this change is estimated to be over \$200,000 per year and will have a positive impact on the ability of the new corporation to operate in a cost-effective manner.

ALTERNATIVES

The Lawrence County Board, the current individuals appointed to oversee the operations of the hospital, and the hospital's chief executive officer and chief financial officer considered a number of alternatives to the proposed conversion to a not-for-profit corporation.

Alternative A. One alternative was to do nothing and continue operating the hospital as a County-owned facility. The hospital has been a component unit of Lawrence County since 1950 and has a rich history of serving the County's 15,000 citizens, so the alternative of keeping the status quo was attractive to many. Nevertheless, simply maintaining the status quo seriously threatens that continuation of existing hospital services because of the County's need to reduce expenses and liabilities and its reluctance to raise taxes for the hospital, especially in the current economic climate. Not doing anything to address these financial considerations was not a viable alternative for the County.

Alternative B. Another alternative was to close the hospital. This option would immediately relieve the County of any financial drain, although there would be some monetary costs to closing the facility. However, the County Board felt strongly that it had an obligation to assure the continuation of medical services to the residents of this largely rural community. The hospital is a designated Critical Access Hospital and serves an already medically underserved population. Furthermore, the hospital employs over 150 people; the loss of jobs would have a significantly negative impact on the County. Closing the hospital was the least attractive alternative to anyone on the County Board, with the hospital's governing group, and in the community.

Alternative C. Another alternative was to sell the hospital in its entirety to another hospital organization. This option would also relieve the County of financial obligations and

liabilities and offer the benefit of adding funds to the County coffers. The main problem with this alternative, however, was that it could not guarantee that a succeeding organization would keep the hospital open, retain the same services for the community, or even continue to offer any medical services. Although the County Board needed to change the structure of how it operated the hospital, it did not want to renege on its responsibility to assure the continued availability of acute medical care in Lawrence County. This alternative, therefore, also proved to be unattractive.

Alternative D. Another option considered was some kind of joint venture with a neighboring health care facility. Because the County is a unit of local government, the County Board determined that this kind of venture with a for-profit or a not-for-profit entity was not appropriate. It would not necessarily relieve it of financial responsibilities or liabilities and it would require it to continue to be involved in monitoring the joint venture. It might even require the infusion of additional capital to make a joint project attractive to a third party. This option was not considered to be viable for the County.

Alternative E. The chosen alternative, converting the hospital to a not-for-profit corporation, meets all of the goals of the County Board. First, the County can divest itself of the financial responsibility and liabilities associated with running a hospital. Second, the County is authorized under the Counties Code to lease its real property for public health purposes, which can be satisfied by placing restrictions on the purposes of a new not-for-profit corporation's articles of incorporation. Third, the County can be assured that the new corporation's community-based board will be vested with an interest in continuing to provide medical services to the County's residents. Fourth, the costs of a conversion like this would be limited to legal fees and the application fees required to create a new corporation and to accomplish the transfer

and lease of property. Finally, the new board of directors will be comprised of local individuals who will make decisions based on what is best for the local population. The County Board determined that this structure caused the least disruption to the status quo and offered the best possibility for maintaining the same level of medical service now offered to Lawrence County residents.

SUMMARY COMPARISON OF ALTERNATIVES TO PROJECT

| Alternative | Cost | Financial Benefits | Quality | Accessibility |
|---|--|---|--|---|
| A. Do nothing. | No additional costs. | No financial benefits; the continued financial drain on the County is unsustainable. | Continued financial strains would have a negative impact on the quality of medical care. | No change in accessibility, but without any change, accessibility may be jeopardized. |
| B. Close the hospital. | Costs to relocate patients; est. maintenance costs until alternative for building found. | Financial drain and liabilities for County eliminated; some one-time costs and maintenance. | Quality health would be unavailable in Lawrence County. | A critical access hospital would be lost to the community. |
| C. Sell the hospital. | Marketing costs, commissions, and legal fees. | Financial drain eliminated for County; potential for capital gains on sale. | Potential for improving quality of health care, but ultimate outcome unknown. | Potential to retain critical access hospital, but no guarantee. |
| D. Joint venture | Pro forma costs not determined because this option not considered viable. | Potentially no change, but not determined. | Existing health care preserved. | No change to access. |
| E. Conversion to locally-controlled not-for-profit corporation. | Est. \$75,000 in legal fees and permit application fees. | Financial drain eliminated for County; improved financial flexibility for hospital. | Quality of services maintained. | No change to access. |

ATTACHMENT-13

SECTION VI--CHANGE OF OWNERSHIP

The TRANSACTION DOCUMENTS consist of a ground lease, bill of sale and assignment of contracts, previously included as ATTACHMENT-2.

ATTACHMENT 19 consists of the following additional documents:

- A. Response to Criteria Regarding Impact Statement, Access and Health Care System
- B. Financial Assistance Program and Uninsured Patient Discount Policy (current)
- C. Financial Assistance Program and Uninsured Patient Discount Policy (adopted by Lawrence County Hospital (the new corporation))

**RESPONSES TO CRITERIA REGARDING IMPACT STATEMENT,
ACCESS AND HEALTH CARE SYSTEM**

A. Criterion 1110.240(b), Impact Statement

1. The proposed conversion will not result in any change in the number of beds or services currently offered.
2. The operating entity will be a new corporation called Lawrence County Memorial Hospital, an Illinois not-for-profit corporation. The board of directors of this new corporation will be the same individuals currently assigned by Lawrence County to oversee the operations of the hospital. The Chief Executive Officer and the Chief Financial Officers will also remain the same.
3. The primary reason for the transaction is to relieve Lawrence County from the financial strains and responsibilities of operating a hospital while continuing to provide the same or better quality of medical care to Lawrence County citizens. The goals of the transaction are to provide local control of the hospital by a new not-for-profit corporation, continue to provide the community with a Critical Access Hospital, create new opportunities for the economical administration of the hospital, and add a vested interest in the success of the hospital by local patrons.
4. No additions or reductions in employees now and for the two years following completion of the conversion are anticipated.
5. Cost benefit analysis.
 - a. Costs. The costs associated with the conversion are limited to those identified in "Project Costs and Sources of Funds" in the main application and discussed in ATTACHMENT-7. Lawrence County will lease the hospital real estate to the new corporation for \$1.00 per year, and it will transfer the building, fixtures and

personal property. Consequently, the conversion will be accomplished for only ancillary costs of legal fees; CON, federal tax-exempt status, and hospital license application fees; and some other minor miscellaneous costs that may be necessary.

- b. Benefits. Lawrence County, as a unit of local government, and the citizens of the County will benefit from the conversion by being relieved of the financial burdens of running a county-owned hospital. By relieving these burdens and converting the hospital into one owned by a not-for-profit corporation directed by local individuals, the County will also assure the community that medical care will continue to be available. This continuity of care is critical to an underserved medical community like Lawrence County. All services and programs will remain available after the conversion. In addition, the hospital will continue to employ over 150 individuals and be a major source of employment and stability in the area.

B. Criterion 1110.240(c), Access

1. The hospital's current Financial Assistance Program and its Uninsured Patient Discount Policy are included as ATTACHMENT-19B.
2. Lawrence County Memorial Hospital (the new corporation), as a not-for-profit organization, has adopted more expansive policies governing admissions and financial assistance, which are included as ATTACHMENT-19C. No person will be denied admission based solely on the inability to pay for medical care at the hospital.

3. A letter from the Chief Executive Officer of Lawrence County Memorial Hospital (the new corporation) certifying that the admissions policy of the new organization will not be more restrictive than the current policy is included as ATTACHMENT-19D.

C. Criterion 1110.240(d), Health Care System

Lawrence County Memorial Hospital (the new corporation) is not part of a larger health care system with other facilities. The proposed conversion will have no impact on other area providers. Lawrence County Memorial Hospital (the new corporation) will continue to serve patients in its market area and will not restrict the use of other area care providers.

LAWRENCE COUNTY MEMORIAL HOSPITAL
Lawrenceville, Illinois

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|--|--|
| Originating Department: Patient Financial Services | Effective Date: 4/25/07 Revision Dates: 4/23/08; 7/23/08; 2/25/09; 5/17/10 |
| Title: Financial Assistance Program | Executive Approval: <i>Original on File</i> |
| Distribution: All Departments | Board Approval: Page: 1 of 3 |

POLICY

Determine guidelines for patient financial assistance eligibility.

PROCEDURE

A patient financial assistance write-off will be provided to a patient who has demonstrated an inability to pay for hospital services. To demonstrate this inability, the patient or patient representative must complete a STATEMENT OF FINANCIAL OBLIGATIONS (sample attached). Copies of supporting documents preferred to support reported income include:

Last year income tax return
Last month bank statement
Last 2 pay stubs
Credit Report

The statement must be completed as fully and accurately as possible with the assistance of an LCMH representative if necessary. Any information not available will be considered in the determination of eligibility for the financial assistance write-off. Every effort will be made by LCMH staff to assist the applicant in completion of the form. LCMH effort should be in proportion to the potential amount of financial assistance. The following criteria will be used in examining the financial statement:

1. Individual or family income. (All household income must be reported.)
2. Individual or family net worth, considering all liquid and non-liquid assets owned less liabilities and claims against assets.
3. Family size.
4. Employment status.
5. Financial obligations including living expenses and type of loan obligations.
6. Ratio of monthly income to monthly debt.
7. Amount and frequency of bills for healthcare services.

The current year Federal Poverty Guidelines as reported by the U.S. Department of Health & Human Services (www.aspe.hhs.gov/poverty/) will be used to determine financial assistance write-offs and percent of payment based on income. Current guidelines are reported, however, income will not be the only factor in determining eligibility.

ATTACHMENT-19B

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| Originating Department: Patient Financial Services | Effective Date: 4/25/07 Revision Dates: 4/23/08; 7/23/08; 2/25/09; 5/17/10 |
| Title: Financial Assistance Program | Page: 2 of 3 |

The sliding scale will be utilized in determining the guarantor portion of the financial assistance program. There is no limit on when the determination will be made; however, it is desirable to determine the amount of financial assistance for which the patient is eligible as close to the time of the service as possible.

There are instances when a patient may appear eligible for charity care discounts, however, a financial assistance form cannot be completed due to a lack of supporting documentation. Often there is adequate information provided by the patient or other sources that could provide LCMH with sufficient evidence that the patient would otherwise qualify for a financial assistance discount. Once eligibility has been determined, due to the inherent nature of the presumptive circumstances, a financial assistance discount of 100% of the account balance will be granted. Presumptive eligibility will be effective for 12 months unless information becomes available which contradicts the original presumptive circumstances.

Presumptive eligibility may be determined on the basis of a patient's life circumstances that may include the following:

- Homeless or living in a shelter.
- No income.
- Participation in Women's Infant's and Children's programs (WIC).
- Food stamp eligibility.
- Participation in subsidized school lunch programs.
- Eligibility for other state or local assistance programs that are unfunded (e.g.: Medicaid spend-down).
- Documentation provided by family, friends or clergy of the patient establishing the patient's inability to pay for the medical care (e.g.: letter of support).
- Low income/subsidized housing is provided as a valid address.
- Patient and spouse are deceased with no known estate.
- If the patient is mentally or physically incapacitated and has no one to act on his/her behalf.

LCMH will utilize the Financial Assistance Presumptive Eligibility Form for such cases. This form can be filled out by the patient/guarantor, legal representative, or Patient Financial Service Representative indicating the patient's qualification for presumptive eligibility. Additional documentation other than that described will not be required.

All Financial Assistance Presumptive Eligibility forms will be brought to the Patient Financial Service Manager for review with the CFO for approval. Once the amount of financial assistance has been determined the guarantor of the services will be required to pay the balance of the account using the appropriate payment schedule, which the Hospital has set forth. The amount deemed eligible for financial assistance will be written off as a charity discount and cannot be reversed and no further collection efforts will be made on that portion.

ATTACHMENT-19B

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|--|--|
| Originating Department: Patient Financial Services | Effective Date: 4/25/07 Revision Dates: 4/23/08; 7/23/08; 2/25/09; 5/17/10 |
| Title: Financial Assistance Program | Page: 3 of 3 |

Should the patient request assistance again; the re-determination of the financial status for financial assistance utilizing the STATEMENT OF FINANCIAL OBLIGATIONS must be completed annually. If the patient believes there is a significant change to their financial status (loss of job, other large healthcare bill) application can again be made in less than 12 months of the first determination for current unpaid balances. Eligibility for financial assistance will be determined on a case-by-case basis using the previous criteria and reasonable judgment.

Catastrophic Assistance will be available for patients that have applied for the Financial Assistance Program but did not qualify and a loan is unobtainable. LCMH will grant assistance if the total bill is over 30% of the annual income and the debt to income ratio is 60% or above. The debts listed on the application must demonstrate prudent spending. Assistance will be given for a particular encounter or encounters. The patient must reapply each time assistance is needed. The amount deemed eligible will be written off to charity discount and cannot be reversed and no further collection effort will be made on that portion.

ATTACHMENT-19B

LAWRENCE COUNTY MEMORIAL HOSPITAL
Lawrenceville, IL

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| Originating Department: Administrative-Patient Financial Services | Effective Date: 3-1-09 |
| Title: : Uninsured Patient Discount | Executive Approval: G. Klein, CFO Board Approval: 2-25-09 |
| Distribution: All Departments | |

PURPOSE:

The purpose of this policy is to provide a discount to the uninsured who meets eligibility requirement based on the Hospital Uninsured Patient Discount Act recently passed by the Illinois Legislative to be effective 4-1-09.

DEFINITIONS:

Uninsured patient – A hospital patient without any health insurance or coverage. Patients with high deductible health plans are not eligible.

Residency – The hospital patient must be an Illinois resident.

Family Income – family’s annual earnings and cash benefits from all sources before taxes (including distributions and payments from pensions or retirement plans) less payments made for child support.

FPL – Federal Poverty Level

Discount – Discount is 135% of cost, the actual formula for computing discount is $[1-(RCC \times 1.35)] \times \text{charges}$ a process included in the legislation.

RCC – Ratio of cost to charges from the most recently filed Medicare Cost Report.

Maximum Amount – 25% of family’s annual gross income is the maximum amount collectable in a 12 month period. Time period begins at the first date of service determined to be eligible for discount.

Assets – value in excess of 300% FPL excluding primary resident, personal property exempt from collections under Section 5/12-1001 of Illinois Code of Civil Procedure, any amounts held in a pension or retirement plan.

Services: Medically necessary health care services that would be covered under Medicare for beneficiaries with the same clinical presentations as the uninsured patient. Does not apply to elective cosmetic surgery or non-medical services such as social and vocational services.

ATTACHMENT-19B

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|---|-----------------------|
| Originating Department: Administration – Patient Financial Services | Effective Date:3-1-09 |
| Title: Uninsured Patient Discount | Page 2 of 2 |

POLICY:

The hospital will provide a discount to uninsured patients without any health insurance or coverage for medically necessary services in excess of \$300.00. To be eligible for the discount the patient must be an Illinois resident and the family income must not be more than 300% FPL.

The hospital will require for the patient to apply for the discount within 60 days of the date of discharge or date of service. In order for the hospital to qualify the patient for the discount acceptable documentation must be provided. The hospital will require one of the following to verify income:

1. A copy of the most recent tax return
2. A copy of the most recent W-2 form and 1099 forms
3. Copies of 2 most recent pay stubs
4. Written income verification from an employer if paid in cash
5. Or one other form of third party income verification deemed acceptable to the hospital

The hospital will require one of the following to verify residency:

1. The documentation listed above
2. A valid state-issued ID
3. A recent residential utility bill
4. A lease agreement
5. A vehicle registration card
6. A voter registration card
7. Mail addressed to the uninsured from a government agency
8. A statement from a family member of the uninsured patient who resides at the same address and presents verification of residency
9. A letter from a homeless shelter transitional house or similar facility verifying that the uninsured patient resides at the facility

The hospital will require a third party verification of assets of value. If the patient is unable to provide this verification a certification of estimate of value of the assets from the patient will be deemed acceptable.

If the patient fails to provide the required documentation within 30 days of request the uninsured patient discount will not be given.

Once the patient is deemed eligible the discount of 135% of cost will be applied. The formula for calculating the discount $[1-(RCC \times 1.35)] \times \text{charges}$. A maximum collectable amount for a 12 month period from the date of service deemed eligible will be 25% of the family's gross annual income. In order for the patient to receive the maximum collectable cap the patient must inform the hospital that he /she had received prior services which were determined to be eligible for discount. The cap will also not apply to those patients that maintain substantial assets in excess of the 300% of FPL.

ATTACHMENT-19B

LAWRENCE COUNTY MEMORIAL HOSPITAL
Lawrenceville, Illinois

| | |
|--|---|
| Originating Department: Patient Financial Services Title: Financial Assistance Program Distribution: All Departments | Effective Date: Revision Dates: Executive Approval: Board Approval: Page 1 of 7 |
|--|---|

I. MISSION

A. The mission of Lawrence County Memorial Hospital (“LCMH” or “Hospital”) a not-for-profit, tax-exempt entity, is to restore, maintain and improve the health of the people and communities it serves.

B. In furtherance of its mission as a charitable organization, LCMH is committed to providing medically necessary inpatient and outpatient hospital services (collectively, the “Hospital Services”) to residents of Lawrence County, Illinois and its defined service areas, regardless of any patient’s ability to pay.

II. PURPOSE

A. The purpose of this Financial Assistance Program is to establish guidelines for awarding Financial Assistance.

B. This purpose of this Program is also to comply in all respects with the provisions of the Illinois Hospital Uninsured Patient Discount Act. LCMH has established its Uninsured Patient Discount Policy in conjunction with its Financial Assistance Program. The terms of LCMH’s Uninsured Patient Discount Policy are accordingly incorporated as a part of this Financial Assistance Program. For uninsured patients, the Uninsured Patient Discount Policy is only one part of the Financial Assistance Program. Some uninsured patients may immediately qualify for fully discounted services and may not need to be reviewed under the Uninsured Patient Discount Policy. Alternatively, for some uninsured patients, an analysis may need to be done to determine which policy would offer the greater benefit. The greater benefit will be awarded. Any award to an uninsured patient under the Financial Assistance Program will, therefore, effectively include the uninsured patient discount required by Illinois law.

C. The Financial Assistance Program and the Uninsured Patient Discount Policy are parts of an integrated system which provides free or discounted services to all those eligible. Qualification under either policy does not preclude qualification under the other at any time. The two policies are both in recognition of LCMH’s actions to provide a gift of services to all persons as is appropriate, to reduce any governmental burden, and to use

its facilities in furtherance of its charitable mission for the benefit of all persons regardless of ability to pay.

III. POLICY

A. It is the policy of LCMH to provide Financial Assistance for Hospital Services to persons or families for whom: (i) there is limited or no health insurance available; (ii) the patient fails to qualify for governmental assistance (for example, Medicare or Medicaid); (iii) the patient cooperates with the Hospital in providing requested information; (iv) the patient demonstrates financial need; and (v) the Hospital makes an administrative determination that Financial Assistance is appropriate. Nothing in this Program shall be interpreted in such a way as to conflict with Illinois Medicaid statutes, regulations and administrative rules.

B. Financial Assistance for Hospital Services shall be given to persons who meet the conditions and criteria set forth in this Program for (i) emergency treatment rendered at the Hospital; *and* (ii) medically necessary *non-emergent* care rendered at the Hospital that would be covered under Title XVIII of the federal Social Security Act if the person were eligible for coverage thereunder.

C. Financial Assistance will be based solely on the criteria in this Policy and not on the basis of any particular race, color, religion, national origin, ancestry, creed, handicap, sex, age, marital status, physical or mental handicap, sexual orientation or citizenship status.

D. Emergency admission, treatment, screening and/or stabilization services will not be delayed or denied due to coverage or payment ability.

E. Classification of Hospital Services as provided under Financial Assistance can occur at any time.

IV. PROCEDURE

A. RESPONSIBILITY OF COMMUNICATION:

LCMH will have a means of communicating the availability of the Financial Assistance Program to all patients. Forms of communicating the Financial Assistance Program include, but are not limited to: placing signage, applications, brochures, *etc.* in prominent patient locations throughout the facility, including, but not limited to, Emergency Room, Patient Billing, Admissions and on www.lcmhosp.org, using a language that is appropriate for patients who make up 5% or more of those patients served by LCMH; designating staff members to explain the Financial Assistance Program to patients; including information on statements for Hospital Services regarding Financial Assistance, including contact information, application information and coverage issues; providing itemized statements within 7 days from date of patient request; making available to the public a copy of the Financial Assistance Program, application and eligibility criteria

ATTACHMENT-19C

upon request; and allowing patients to (re)apply for Financial Assistance at any time in the pending account process including, but not limited to, after outside agency placement.

LCMH staff in the patient financial services and registration departments will understand, and hospital staff that regularly interacts with patients will be familiar with, the Financial Assistance Program and will be able to direct questions regarding the program to the proper hospital representative.

B. PATIENT QUALIFICATION AND ELIGIBILITY

Qualification and eligibility for Financial Assistance can be met (1) by verifying income and assets; (2) under Presumptive Eligibility; or (3) by other circumstances demonstrating additional financial need.

1. Verified Income and Assets.

(a) To qualify for Financial Assistance under Verified Income and Assets, the patient or patient's representative shall complete a "Statement of Financial Obligations." The form should be completed as fully and accurately as possible; LCMH staff shall make all reasonable efforts to assist the applicant in completing the form.

(b) All family/household income and assets must be reported. Income includes employment income and any unearned income. Assets include checking accounts, savings accounts, stocks, bonds, certificates of deposits, cash, cash value of life insurance policies, and equity in property owned; assets do not include homestead or primary place of residence; personal property, assets held in pension plans; and other assets that LCMH, at its discretion, determines should be exempt. Appropriate documents to support income reported on this statement include:

- Completed federal income tax return for the previous calendar year;
- Bank statement from immediately preceding month;
- Paycheck stubs for previous two pay periods;
- Credit report.

(c) Generally, income at or below the poverty guideline applicable to the patient's family size demonstrates eligibility for Financial Assistance equal to the full amount (100%) owed to LCMH. Income in excess of the applicable guidelines, up to 200%, may qualify for Financial Assistance from 99% to 0%, based on a proportional sliding scale. For example, if a patient's family income equals 130% of the applicable poverty guideline, the patient would qualify for a 70% discount from Hospital Services; income equaling 190% of the guidelines would qualify for a 10% discount. As a patient's income increases, however, the discount offered under the Uninsured Patient Discount Policy may provide a more generous benefit; LCMH will strive to apply the policy that best suits the needs of the patient. The poverty guidelines are revised and published in the spring of each year by the U.S. Department of Health and Human Services.

(d) The application of the income sliding scale may be affected by these additional factors that LCMH will also consider, using reasonable judgment, in each situation:

- Individual or family net worth, considering all liquid and non-liquid assets owned, less liabilities and claims against assets;
- Family size;
- Employment status;
- Financial obligations, including living expenses and type of loan obligations;
- Ratio of monthly income to monthly debt;
- Amount and frequency of bills for healthcare services;
- Any other circumstances and information deemed relevant by LCMH in making the most appropriate Financial Assistance determination.

(e) The Statement of Financial Obligations should be completed as close to the time of the service as possible; however, the statement may be completed and a determination of eligibility for Financial Assistance may be made at any time. The Statement of Financial Obligations may be considered valid for one year unless LCMH is aware of circumstances indicating substantial changes in the patient's financial or other needs.

(f) Once the amount of Financial Assistance has been determined, the patient or patient's guarantor will be expected to pay the balance of the account due for Hospital Services under the general payment schedule established and approved from time to time by the Patient Financial Service Manager and the Chief Financial Officer. Any payment schedule different from the general schedule must be approved by the Patient Financial Services Manager. A patient who experiences a significant change in financial status (e.g., loss of job, other large healthcare bill, etc.) may apply again for Financial Assistance to be applied to any current unpaid balance.

2. *Presumptive Eligibility.*

(a) There are instances when a patient may appear eligible for Financial Assistance Program, but a Financial Assistance form cannot be completed due to a lack of supporting documentation. Often there is adequate information provided by the patient or other sources that could provide LCMH with sufficient evidence that the patient would otherwise qualify for a Financial Assistance. Presumptive eligibility may be determined on the basis of a patient's life circumstances that may include the following:

- Homeless or living in a shelter.
- No income.
- Participation in Women's Infant's and Children's programs (WIC).
- Food stamp eligibility.
- Participation in subsidized school lunch programs.
- Eligibility for other state or local assistance programs that are unfunded (e.g.: Medicaid spend-down).

ATTACHMENT-19C

- Documentation provided by family, friends or clergy of the patient establishing the patient's inability to pay for the medical care (e.g., letter of support).
- Low income/subsidized housing is provided as a valid address.
- Patient and spouse are deceased with no known estate.
- The patient is mentally or physically incapacitated and has no one to act on his/her behalf.

(b) In these situations, the patient, guarantor, legal representative, or Patient Financial Service Representative may fill out a "Financial Assistance Presumptive Eligibility Form" to document the patient's qualification for Presumptive Eligibility. No other documentation is required.

(c) All Financial Assistance Presumptive Eligibility forms must be reviewed and approved by the Chief Financial Officer.

(d) Once eligibility has been determined, due to the inherent nature of the presumptive circumstances, a Financial Assistance equal to 100% of the account balance will be granted.

(e) The Chief Financial Officer may, at his discretion, apply Presumptive Eligibility to outstanding active accounts. The determination of Presumptive Eligibility will be effective for 12 months from the first date of service approved for eligibility unless information becomes available which contradicts the original presumptive circumstances.

3. *Accounts for Further Financial Assistance*

(a) In the event of an illness where proper documentation has been submitted, but the patient still has a responsible balance resulting from LCMH bills that causes an undue hardship upon the household, the Patient Financial Services Director along with the CFO may review and determine if additional Financial Assistance is merited. Such cases may include, but are not limited to, those instances in which a patient is left with a "substantial" balance even after being awarded partial Financial Assistance and the application of the maximum amount collectible under the Uninsured Patient Discount Policy. As the circumstances of such cases will vary widely, the definition of "substantial" and the amount of Financial Assistance will be determined on a case-by-case basis considering all financial, family and health circumstances of the patient.

(b) Such assistance will be available for patients who have applied for but did not qualify for 100% Financial Assistance. LCMH will grant assistance if the total bill is over 30% of the annual income and the debt to income ratio is 60% or above. The debts listed on the application must demonstrate prudent spending. Assistance will be given for a particular encounter or encounters. The patient must reapply each time assistance is needed under this provision. The amount deemed eligible will be eligible for Financial Assistance and cannot be reversed and no further collection effort will be made on that portion.

ATTACHMENT-19C

(S0709777.5 1/26/2011 LHH LHH)

(c) The Chief Financial Officer may utilize his discretion to make exceptions to the above procedures based on specific extraordinary circumstances to authorize additional qualifying Financial Assistance.

C. APPROVAL

All applications for Financial Assistance must be reviewed and approved by the Patient Financial Services Manager or the Chief Financial Officer. All applicants will be notified of approval or denial.

V. LCMH'S COMMITMENT TO PATIENTS

A. For patients who qualify for 100% Financial Assistance and complete waiver of charges, LCMH will seek no payment through administrative, third party or court proceedings.

B. For patients receiving less than 100% Financial Assistance, LCMH will not:

(1) place a lien, force the sale or foreclosure of a primary residence to pay for an outstanding medical bill or include the primary residence in the asset calculation, unless the equity of the property clearly indicates an ability to assume the financial obligation (such action is subject to the Patient Financial Manager's prior approval);

(2) pursue collection action where the patient is complying with a scheduled payment plan or has clearly demonstrated that he or she does not have sufficient income or assets to meet any part of their financial obligation;

(3) use body attachments to force the patient or responsible party to appear in court;

(4) garnish wages.

C. Once Financial Assistance status is determined, it will be applied retroactively to active outstanding accounts, and will be valid for 12 months from the first date of service to which assistance is applied.

D. For at least 60 days after an uninsured patient's discharge, LCMH will not file a lawsuit to collect payment on that patient's bill.

E. If an uninsured patient has requested assistance and/or applied for other coverage and is cooperating with LCMH, LCMH will not pursue collection action until a decision has been made that there is no longer a reasonable basis to believe patient may qualify for assistance or other coverage. LCMH will pursue collection efforts against patients who do not qualify for assistance or who fail to comply with a scheduled payment plan for amounts due after assistance has been applied.

Title: Financial Assistance Program

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VI. DOCUMENTATION AND RECORDKEEPING:

A. The Business Office will maintain all documentation of Financial Assistance on paper or digital image within the Hospital's Financial Assistance Program file. The Financial Assistance file will include a cumulative total of Financial Assistance cases, together with supportive documentation. Supportive documentation shall include, at a minimum, the following: (1) the number of applicants or patients presumptively eligible for free and reduced cost services; (2) the number of approved applicants; and (3) the total and average charges and costs of the amount of free and reduced cost care provided. The foregoing list will be revised from time to time to comply with any requirements set forth by the State Attorney General, as well as any applicable State law or regulation.

B. The Patient Financial Services Manager will review the status of the Financial Assistance program with the Chief Financial Officer on a regular basis. The Patient Financial Services Manager will be responsible for presenting this Policy to the Board of Directors at least annually. Such presentation will include a detailed statement on this Policy, the impact of this Policy on the Hospital's operations and the level of need and benefits being conferred to the community under the Hospital's Financial Assistance program.

C. Information about the amount of Financial Assistance provided will be described in a note to the Hospital's financial statements. The note will include this Policy and the dollar volume as it pertains to cost and/or percentage of total charges provided.

D. All information, documentation and other materials submitted by a patient or other guarantor shall be confidential. LCMH shall make no disclosure of such individual information, documentation or other materials unless as required or permitted by statute or regulation. LCMH may provide summaries of Financial Assistance Program applicants, charges discounted and other data as provided above.

ATTACHMENT-19C

(S0709777.5 1/26/2011 LHH LHH)

LAWRENCE COUNTY MEMORIAL HOSPITAL
Lawrenceville, Illinois

| | |
|---|--|
| <p>Originating Department: Patient Financial Services</p> <p>Title: Hospital Uninsured Patient Discount Policy</p> <p>Distribution: All Departments</p> | <p>Effective Date:</p> <p>Revision Dates:</p> <p>Executive Approval:</p> <p>Board Approval:</p> <p>Page 1 of 5</p> |
|---|--|

I. MISSION

A. The mission of Lawrence County Memorial Hospital (“**LCMH**”), a not-for-profit, tax-exempt entity, is to restore, maintain and improve the health of the people and communities it serves.

B. In furtherance of its mission as a charitable organization, LCMH is committed to providing medically necessary inpatient and outpatient hospital services (collectively, the “**Hospital Services**”) to residents of Lawrence County, Illinois and its defined service areas, regardless of any patient’s ability to pay.

II. PURPOSE

A. The purpose of this Policy is to comply in all respects with the provisions of the Illinois Hospital Uninsured Patient Discount Act (210 ILCS 89/1 *et seq.*)

B. This Policy is a part of the overall LCMH Financial Assistance Program. The two policies are to be considered in conjunction with each other. The Uninsured Patient Discount Policy is separately stated in connection with the distinctive statutory framework of the Illinois Hospital Uninsured Patient Discount Act. The two policies are both in recognition of LCMH’s actions to provide a gift of services to all persons as is appropriate to reduce any governmental burden and to use its facilities in furtherance of its Mission for the benefit of all persons regardless of ability to pay.

III. POLICY

A. It is the policy of LCMH to grant a discount to every Uninsured Patient who receives medically necessary services in excess of \$300.00 and who qualifies for such discount under this Policy and the Illinois Hospital Uninsured Patient Discount Act.

B. Uninsured Discounts will be based solely on the criteria in this Policy and the Act and not on the basis of any particular race, color, religion, national origin, ancestry, creed, handicap, sex, age, marital status, physical or mental handicap, sexual orientation or citizenship status.

C. Emergency admission, treatment, screening and/or stabilization services will not be delayed or denied due to coverage or payment ability.

IV. PROCEDURE

A. RESPONSIBILITY OF COMMUNICATION:

LCMH will have a means of communicating the availability of the Uninsured Patient Discount Policy in a manner similar to that in its Financial Assistance Program. Each hospital bill, invoice, or other summary of charges to an Uninsured Patient shall include with it, or on it, a prominent statement that an uninsured patient who meets certain income requirements may qualify for an uninsured discount and information regarding how an uninsured patient may apply for consideration under this Policy and the Financial Assistance Policy.

B. PATIENT QUALIFICATION AND ELIGIBILITY

1. *Definitions.*

(a) "Uninsured Patient" means an Illinois resident who is a patient of LCMH and who is not covered under a policy of health insurance and is not a beneficiary under a public or private health insurance, health benefit, or other health coverage program, including high deductible health insurance plans, workers' compensation, accident liability insurance, or other third party liability.

(b) "Income" means the patient's annual family earnings and cash benefits from all sources before taxes (including distributions and payment from pensions or retirement plans) less payments made for child support.

(c) "Assets" means real and personal property, excluding a primary residence, personal property exempt from judgment under Section 12-1001 of the Code of Civil Procedure (35 ILCS 5/12-1001), and any amounts held in a pension or retirement plan.

(d) "Medically necessary" means any inpatient or outpatient hospital service, including pharmaceuticals or supplies provided by LCMH to a patient, covered under Title XVIII of the federal Social Security Act for beneficiaries with the same clinical presentation as the Uninsured Patient. A medically necessary service does not include any of the following:

- o Non-medical services such as social and vocational services.
- o Elective cosmetic surgery, but not plastic surgery designed to correct disfigurement caused by injury, illness, or congenital defect or deformity.

(c) "Federal poverty income guidelines" means the poverty guidelines updated periodically in the Federal Register by the United States Department of Health and Human Services.

2. *Qualification*

(a) Uninsured Patients must apply for the Uninsured Discount and submit acceptable documentation verifying income, assets, and Illinois residency within 60 days of the date of discharge or the date of service.

(b) Verification:

(1) Income may be verified by submitting any of the following:

- A copy of the most recent tax return;
- A copy of the most recent W-2 form and 1099 forms;
- Copies of the two most recent pay stubs;
- Written income verification from an employer is paid in cash; or
- One other reasonable form of third party income verification deemed acceptable to LCMH.

(2) Assets of value must be verified by a third party. If this verification is unavailable, the patient may certify the existence of assets and an estimate of the value of those assets in a form deemed acceptable to LCMH.

(3) Illinois residency may be verified by submitting any one of the following:

- Any of the documents listed above in the section above regarding income verification;
- A valid state-issued identification card;
- A recent residential utility bill;
- A lease agreement;
- A vehicle registration card;
- A voter registration card;
- Mail addressed to the Uninsured Patient at an Illinois address from a government or other credible source;
- A statement from a family member of the Uninsured Patient who resides at the same address and presents verification of residency; or
- A letter from a homeless shelter, transitional house or other similar facility verifying that the uninsured patient resides at the facility.

(c) LCMH shall provide a discount from its charges to an Uninsured Patient who is an Illinois resident and whose family income does not exceed more than 300% of the federal poverty income guidelines for all medically necessary health care services exceeding \$300 in any one inpatient admission or outpatient encounter.

(d) LCMH may make the availability of an Uninsured Discount, and the maximum collectible amount under paragraph 3(c) below, contingent upon the Uninsured Patient

Title: Uninsured Patient Discount Policy

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first applying for coverage under public programs, such as Medicare, Medicaid, AllKids, the State Children's Health Insurance Program, or any other program, if there is a reasonable basis to believe that the Uninsured Patient may be eligible for such a program.

(e) LCMH's obligations toward an Uninsured Patient will cease if that patient unreasonably fails or refuses to provide LCMH with information or documentation requested under Section (2)(b) above or to apply for coverage under public programs when requested within 30 days.

3. *Approval.*

(a) All requests for an Uninsured Discount must be reviewed and approved by the Patient Financial Services Manager or the Chief Financial Officer. All applicants will be notified of approval or denial in writing.

(b) The Chief Financial Officer will promote LCMH's mission of providing medical care to all patients regardless of ability to pay and will assure that this Policy is applied in conjunction with LCMH's Financial Assistance Program so that all who need and apply for financial assistance receive it.

4. *Discount Applied.*

(a) LCMH shall provide a discount from its charges to any qualified Uninsured Patient whose family income does not exceed more than 300% of the applicable federal poverty income guidelines for all medically necessary health care services exceeding \$300 in any one inpatient admission or outpatient encounter.

(b) The Uninsured Discount is calculated by multiplying LCMH's charges by a discount factor of 1.0 less the product of LCMH's cost to charge ratio multiplied by 1.35. The formula is expressed as: $[1 - (CCR \times 1.35)] \times \text{charges}$. Another way of expressing the discount is to say that an Uninsured Patient will be charged no more than 135% of LCMH's cost of providing care.

(c) The maximum amount that may be collected in a 12-month period from the date of service from a qualified Uninsured Patient is 25% of the family's annual income as defined in this Policy and is subject to the patient's continued eligibility. To be eligible to have this maximum amount applied to subsequent charges, the Uninsured Patient shall inform the hospital in subsequent inpatient admissions or outpatient encounters that the patient has previously received Hospital Services and was determined to be entitled to the Uninsured Discount. A patient who maintains substantial assets in excess of 300% of the federal Poverty Level will need to re-apply for any subsequent Uninsured Discounts and be evaluated for continuing eligibility under this Policy.

V. LCMH'S COMMITMENT TO QUALIFIED UNINSURED PATIENTS

A. LCMH will not (1) place a lien, force the sale or foreclosure of a primary residence to pay for an outstanding medical bill or include the primary residence in the asset calculation, unless the equity of the property clearly indicates an ability to assume the financial obligation (such action is subject to the Patient Financial Manager's prior approval); (2) pursue collection action where the patient has clearly demonstrated that he or she does not have sufficient income or assets to meet any part of their financial obligation; (3) use body attachments to force the patient or responsible party to appear in court; (4) garnish wages.

B. If an Uninsured Patient has requested assistance and/or applied for other coverage and is cooperating with LCMH, LCMH will not pursue collection action until a decision has been made that there is no longer a reasonable basis to believe the patient may qualify for assistance or other coverage. When the patient has been approved under the Uninsured Discount Policy for an Uninsured Discount, LCMH will work with the patient or the responsible party to establish a reasonable payment option for the remaining balance. Collection action may be taken by LCMH to enforce the terms of a scheduled payment plan.

VI. DOCUMENTATION AND RECORDKEEPING:

The Business Office shall comply with the Documentation and Recordkeeping requirements of the Financial Assistance Program for all Uninsured Discounts provided under this Policy.



January 26, 2011

Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, IL 62761

Re: Lawrence County Memorial Hospital/Conversion
Application for Certificate of Need Permit

To Whom It May Concern:

The admission policies of Lawrence County Memorial Hospital (the new corporation) will not become more restrictive after the completion of the proposed conversion of the hospital from a County-owned facility to one owned and operated by a new not-for-profit corporation. In fact, the new corporation has adopted a financial assistance policy that is clearer and more expansive than the previous policy. No person will be denied access to medical care at the hospital solely on the basis of an inability to pay for them.

Sincerely,

A handwritten signature in cursive script that reads "Doug Florkowski".

Doug Florkowski
Chief Executive Officer

SECTION VIII – AVAILABILITY OF FUNDS

ATTACHMENT 39 consists of the following documents:

- A. Statement from Lawrence County Board Chairman as to Source of Funds
- B. Resolution of Lawrence County Board Authorizing Conversion and Minutes of Meeting
- C. Hospital Financial Statement for Fiscal Year Ending June 30, 2009 and 2008
- D. Hospital Financial Statements for Fiscal Years Ending June 30, 2010 and 2009

ATTACHMENT-39

LAWRENCE COUNTY
1100 State Street
Lawrenceville, Illinois

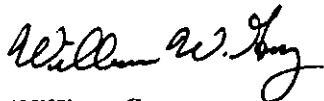
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, IL 62761

Re: Lawrence County Memorial Hospital/Conversion
Application for Certificate of Need Permit
Statement of Funding Availability

To Whom It May Concern:

The Board of Lawrence County, Illinois has authorized the conversion of Lawrence County Memorial Hospital from a County-owned facility to one owned and operated by a new not-for-profit corporation that is locally-controlled. The County will pay all incidental fees associated with the conversion, including legal fees and permit application fees. Funds are available and will be expended for this purpose.

Sincerely,



William Gray
Chairperson
Lawrence County Board

[for adoption at July meeting]

2010-12
RESOLUTION OF THE COUNTY BOARD OF
LAWRENCE COUNTY, ILLINOIS

Resolution Authorizing Divestiture of Lawrence County Memorial Hospital

WHEREAS, the County owns and operates Lawrence County Memorial Hospital (the "Hospital"), an Illinois licensed hospital located in Lawrenceville, Illinois;

WHEREAS, the County Board has reviewed the responsibilities and costs of owning and operating the Hospital and has determined that it is no longer profitable to or in the best interests of the County for it to continue to operate and maintain the Hospital;

WHEREAS, the County Board acknowledges the need for a hospital serving the general public in the County and that such a hospital would serve public health purposes and the public purposes of the County;

WHEREAS, the County Board desires to facilitate and support the continuation of a non-sectarian hospital located in the County;

WHEREAS, the County Board has determined that it would be in the best interests of the County and its citizens and would further public health purposes to sell or lease the Hospital building and the real property associated with the Hospital, along with all its equipment, beds, furniture, accounts and records, to a responsible corporation that will continue to operate the Hospital as a not-for-profit hospital;

WHEREAS, the Directors of the Hospital have formed an Illinois not-for-profit corporation named "Lawrence County Memorial Hospital" (the "Corporation"), which is or will be capable of and responsible for owning or leasing and operating the Hospital and doing all other acts necessary to accomplish the divestiture of the Hospital from the County to the Corporation;

WHEREAS, pursuant to 55 ILCS 5/5-1005, the County is authorized to sell or lease any real or personal property it owns; to erect and maintain a county hospital; and to contribute such sums of money toward maintaining and supporting any non-sectarian public hospital located within its limits as the County Board deems proper;

WHEREAS, pursuant to 55 ILCS 5/5-1040, the County is authorized to transfer, sell or lease any hospital operated by it to a responsible corporation on such terms and under such conditions as the County Board deems appropriate;

WHEREAS, pursuant to 55 ILCS 5/5-1049.1, the County is authorized to enter into agreements to lease lands owned by the County for \$1.00 per year if the County Board determines that the lease will serve public health purposes, and pursuant to 55 ILCS 5/5-109.2, the County is authorized to lease real estate for a term not exceeding 99 years when, in the opinion of the County Board, the real estate is no longer profitable to

ATTACHMENT-39B

or for the best interests of the County; and

WHEREAS, pursuant to 55 ILCS 5/5-1040, this resolution as proposed and reviewed by the County Finance Committee, was made conveniently available for public inspection at least 10 days prior to its adoption; one public hearing was held on July 21, 2010; notice of that hearing was published in one or more newspapers published in the county or in a newspaper having general circulation in the county at least 10 days prior to the time of the hearing; and the notice of the hearing stated the time and place of the hearing and the place where copies of the proposed resolution was accessible for examination;

NOW, THEREFORE, BE IT RESOLVED, by the Lawrence County Board:

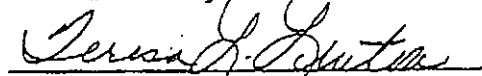
1. The transfer, sale or lease to the Corporation of the Hospital building and the real property associated with the Hospital, along with all its equipment, beds, furniture, accounts and records to the Corporation for the sum of \$1.00 is authorized. Any lease of real property shall not exceed a term of 99 years.
2. The Chairman of the County Board shall negotiate such other appropriate terms and conditions, including assurances that the Corporation is a responsible corporation capable of operating the Hospital.
3. The Chairman of the County Board shall cooperate with the Corporation and respond to all reasonable requests necessary to effectuate the divestiture of the Hospital from the County to the Corporation.
4. The County Board shall approve the execution and the delivery of documents necessary for the implementation and consummation of the divestiture of the Hospital from the County to the Corporation, including deeds, leases, contracts or other documents.

Approved by the Lawrence County Board this 21st day of July, 2010.

Vote: Yes: 6 No: 0 Pass: _____

(SEAL)

Lawrence County Clerk





CHARLES GILLESPIE, CHAIRMAN
LAWRENCE COUNTY BOARD

ATTACHMENT-39B

**LAWRENCE COUNTY BOARD MEETING
JULY 21, 2010**

The Lawrence County Board met in regular session in the boardroom of the Courthouse in Lawrenceville, Illinois. Chairman Charles Gillespie called the meeting to order at 5:30 p.m. and led the Pledge of Allegiance to the Flag of the United States. A word of prayer was given by Bob Craft from the United Methodist Church.

Roll Call was ordered with the following members present: Gene Hays - District #1, Larry Stoltz - District #2, Bill Gray - District #3, Pat Spidel - District #4, Kerry Emmons - District #5, Charles Gillespie - District #6 and Ryan Curtis - District #7.

Department heads present were: Mark Carrithers - Treasurer, Lisa Wade - States Attorney, Sharon Musgrove - County Coordinator and Teri Linton, County Clerk and Recorder.

A motion was made by Pat Spidel to approve the minutes from the June 16th Board Meeting. Seconded by Kerry Emmons, with voice approval by all.

Pat Nash addressed the board about her concerns about the divesture of the county from the hospital. She stated several years ago employees chose PTO days instead of sick time vacation and holidays, there are people that have 25/30 years of service at the hospital. She wanted to know what will happen to these hours, normally they would roll over to their IMRF retirement. She said they need to make time to talk to these employees and they need to be compensated.

Chairman Gillespie explained someone from IMRF was going to be available at the hospital once a week for three weeks beginning the first of August to speak with employees. He reminded her that it will be several months before this come to fruition. These issues will be dealt with concerning the employees IMRF.

Pat Nash said in 1950 the Board of Supervisors didn't offer IMRF, but when they realized in 1953 this was required, they had to pay thousands of dollars back to IMRF. This is why a lot of people work at the hospital for the pension, she said 66% of the employees live in Lawrence County. She said it is sad for the employees that they haven't been told what has been going on and nothing has been offered to them.

Chairman Gillespie thanked Mrs. Nash saying she had worked at the hospital many years and was the IMRF agent at that time.

Chairman Gillespie stated that the county is working under a 1970 Constitution, the Sheriff, States Attorney, County Clerk, Circuit Clerk, are all statutory offices, the Hospital, Health Department and Highway Department are appendages, taken in and endorsed. He said he values the hospital and the employees, he went onto say we have had a good 60 years and want another 60 years and we want to get instep with the rest of the State of Illinois. However, \$678,000.00 is a lot of money and we can't put this burden on the taxpayers when we can go to another system.

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LAWRENCE COUNTY BOARD MEETING
PAGE 2

Chairman Gillespie said we have to face reality of the IMRF or we're going to lose the hospital. They cannot continue to function the way they are functioning.

Kerry Emmons said it concerned him about what Mrs. Nash said about the hospital employees not being informed of what was going on. Mr. Emmons said he was stopped by a young couple after the Public Hearing, the woman is an employee at the hospital, so he asked her if they knew about this change. She told Mr. Emmons yes, the hospital employees had been informed by the administration, they have held meetings and have had an open door policy for any employee to come in. Mr. Emmons went on to say he has been on the board for 5 years and the board has not had any secret meeting concerning the change with the hospital. Five years ago the board thought they had addressed the concerns of IMRF, but not so. This is an unfunded mandated from the state, the state also mandates the rates the county has to pay and we have to fund it. During the last year we have had to face the reality we were going to have to do something about IMRF or we were going to lose the hospital. When they said lose the hospital and lose another 160 some jobs again in Lawrence County, that's when I said we have to do something to stop this.

Pat Nash said she didn't mean to infer you were having secret meetings, but you have been have been having meetings about this the last 2 or 3 years.

Kerry Emmons along with the other board members said no we've been considering this only the last year.

Gene Hays made a motion to adopt Resolution 2010-12 Authorizing Divesture of Lawrence County Memorial Hospital, divesting the hospital from the county to the corporation. Seconded by Larry Stoltz, approval by all members present on a Roll Call vote.

Teri Linton, County Clerk presented to the board approval of Election Judges for a new two-year, which will be presented to the court to receive their commission for the 2010-2012. Motion was made by Kerry Emmons to approve the election judges as presented, seconded by Bill Gray. Motion carried.

Mark Carrithers, Treasurer said he would have tax bills ready to mail out on Friday, July 30th.

Gene Hays made a motion to approve the payment of claims in the amount of \$366,754.18, seconded by Pat Spidel, approved by all on a roll call vote.

Gene Hays made a motion to continue a contract with Lawrence Quick as Operator of the Wastewater Treatment Facilities for another 5 years with a 3% raise each year. Seconded by Pat Spidel, approval by all on a roll call vote.

ATTACHMENT-39B

LAWRENCE COUNTY BOARD MEETING
PAGE 3

Gene Hays made a motion to appoint John Ingram to the Birds Drainage District for a 3-year term beginning the first Tuesday in September, 2010 and ending the first Tuesday in September, 2013. Seconded by Pat Spidel, motion carried.

Gene Hays said we have been approved for a grant to replace lights to be more energy efficient, along with the air conditioner at the annex. He has received a couple bids and would like to get at least one more. Bill Gray wanted to know if the grant has been approved, should we replace before we get the money. Sharon Musgrove said we should get final approval this month.

Discussion was held, Bill Gray said we cannot enter in any contract for the air conditioner until we have the money. Kerry Emmons said the motion is in lieu of receiving the grant money, but continue to get bids in place, so when we get the money we can proceed immediately. Gene Hays said regardless of getting the grant or not the air conditioner had to be replaced, it is costing too much to keep it operating at the present.

Sharon Musgrove said the cost to replace the lights was \$60,000.00 and the cost of the air conditioner was \$20,000.00.

Gene Hays made a motion to continue to obtain bids, accept the low bid for a new air conditioner for the annex, on contingency of receiving the grant. Seconded by Larry Stoltz, approved by a roll call vote.

Larry Stoltz made a motion to pay the Highway Claims in the amount of \$198,241.06, seconded by Kerry Emmons, with approval by all on a roll call vote.

Larry Stoltz made a motion to accept the June Treasurer's Report, subject to audit. Motion seconded by Bill Gray, approved on a roll call vote.

Larry Stoltz made a motion to amend the budget by transferring \$34,270.60 from the Contingency Fund to the County Board Legal Fees account #051-429-000 to pay attorney fees for conversion of the hospital to a non-for-profit status. Seconded by Kerry Emmons, approved by all on a roll call vote.

Larry Stoltz announced that the Finance Committee would like the officials to try to get their budgets in as soon as possible, preferably by Monday, August 9th.

Jerry Pacholski, Administrator of the Disaster Assistance Program, said this program will end September 30th. Our goal was to have all our money expended by August 31st, which was \$376,607.00. We recognized there was still more needs to be met, so he approached the state for more money. Jerry asked for \$25,000.00, they approved \$30,000 in additional funds. The total budget for this program is now \$635,889.07.

Chairman Gillespie said he received a letter from DECCA concerning the county and township highway departments to see what is available for road repair, hopes Jerry will pursue this.

ATTACHMENT-39B

LAWRENCE COUNTY BOARD MEETING

PAGE 4

Kerry Emmons said 2008 was a terrible year for Lawrence County where the disaster is concerned, he hopes it will never happen again, but if it does he hopes there is someone around like you (Jerry) to stay after it and get all the grant money that is available.

Chairman Gillespie said Jerry and Leah Miller as a tag team anytime, are very good.

Jerry Pacholski stated that if anyone needs accolades it is the group from Hopc have learned a lot, made some mistakes along the way, but they have made Lawrence County look good. They have been contacted by other counties in the state to learn how to do what they do.

Bill Gray made a motion pledge our annual funds (\$4,000) to the Southeastern Illinois CVB , this money comes from the local hotel/motel tax we collect, to promote tourism in Lawrence County. Seconded by Kerry Emmons, with approval by all on a roll call vote.

Bill Gray announced that the Lawrence County Health Department is having an open house on Sunday, August 1st and invited everyone to come out.

Upon the recommendation of Chairman Gillespie, Kerry Emmons made a motion to appoint Ann Emkens as a member of the Greater Wabash Planning Commission for a two year term. Motion seconded by Bill Gray, voice approval by all.

Pat Spidel made a motion to appoint Norman Mahrenholz as commissioner to the Lawrence Consolidated Drainage District for a three-year term beginning the first Tuesday, September 2010 and ending the first Tuesday, September 2013. Seconded by Larry Stoltz, motion carried.

Chairman Gillespie spoke on Route 50 Association he has been going around asking for donations to help Route 50 Association continue its work. Already the state is starting their environmental study from here to Route 30, this will only help this movement. The Association is holding a golf tournament to raise money we have cut Chuck Hartke his salary in half. Mr. Hartke went to every legislature talking with them about our organization, he worked with everyone that went to Washington D.C. on our behalf. John Shimkus, has 17 million in the capitol funds, if the State of Illinois gets itself in order, we will get 20%. I 69 asked us to join them, but we can't afford the \$15,000 fee.

Ryan Curtis made a motion to approve the monthly Department Reports as on file with the County Clerk. Seconded by Gene Hays, motion passed.

Gene Hays mentioned that Bond Township needs some financial help in cleaning up fallen trees is several of the cemeteries. They are working with Leah Miller on a grant, but any help would be appreciated.

The next County Board Meeting will be Wednesday, August 18th at 5:30 p.m.

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LAWRENCE COUNTY BOARD MEETING
PAGE 5

Pat Spidel made a motion to adjourn at 6:10 p.m. seconded Bill Gray, motion to adjourn passed.

Charles Gillespie, Chairman
Lawrence County Board

ATTEST:

Teresa L. Linton, Ex-officio Clerk

(The July 21st, 2010 board minutes are subject to change and will not be approved until the August 18th Board Meeting.)

ATTACHMENT-39B

5 4

**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

Accountants' Report and Financial Statements
June 30, 2009 and 2008

ATTACHMENT-39C

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
June 30, 2009 and 2008

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Lawrence County Memorial Hospital
Lawrenceville, Illinois

We have audited the accompanying balance sheets of Lawrence County Memorial Hospital (Hospital), a component unit of Lawrence County, Illinois, as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence County Memorial Hospital as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were conducted for the purpose of forming an opinion on the Hospital's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

December 7, 2009

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**Lawrence County Memorial Hospital
A Component Unit of Lawrence County
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009 and 2008**

Introduction

This management's discussion and analysis of the financial performance of Lawrence County Memorial Hospital (the "Hospital"), a component unit of Lawrence County, provides an overview of the Hospital's financial activities for the years ended June 30, 2009 and 2008. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments decreased in 2009 by \$21,586 or 2%.
- The Hospital's net assets decreased in 2009 by \$997,929 or 18%, compared to a decrease in 2008 of \$42,955 or 1%.
- The Hospital reported operating losses in the past three years of: 2009 \$(1,615,685), 2008 \$(868,797) and 2007 \$(65,834). The operating loss in 2009 increased by \$747,078 over the operating loss reported in 2008.
- Net nonoperating revenues increased by \$27,585 or 6% in 2009 compared to 2008.

Using This Annual Report

The Hospital's financial statements consist of three statements - a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets - the difference between assets and liabilities - is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

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The Statements of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Hospital's net assets decreased by \$997,929 or 18% in 2009 over 2008. The Hospital's net assets decreased by \$42,955 or 1% in 2008 over 2007 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

| | 2009 | 2008 | 2007 |
|---|----------------------------|----------------------------|----------------------------|
| Assets | | | |
| Cash and investments | \$ 1,050,033 | \$ 1,071,619 | \$ 1,370,512 |
| Patient accounts receivable, net | 1,340,605 | 1,944,316 | 1,721,899 |
| Other current assets | 362,269 | 380,229 | 712,660 |
| Capital assets, net | <u>3,762,371</u> | <u>4,000,823</u> | <u>3,863,185</u> |
| Total assets | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> | <u>\$ 7,668,256</u> |
| Liabilities | | | |
| Current liabilities | \$ 1,815,966 | \$ 1,583,209 | \$ 1,644,093 |
| Long-term debt | <u>137,775</u> | <u>254,312</u> | <u>421,742</u> |
| Total liabilities | <u>1,953,741</u> | <u>1,837,521</u> | <u>2,065,835</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 3,477,385 | 3,533,874 | 3,177,039 |
| Restricted expendable | 53,429 | - | 148,196 |
| Unrestricted | <u>1,030,723</u> | <u>2,025,592</u> | <u>2,277,186</u> |
| Total net assets | <u>4,561,537</u> | <u>5,559,466</u> | <u>5,602,421</u> |
| Total liabilities and net assets | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> | <u>\$ 7,668,256</u> |

A significant change in the Hospital's assets in 2009 is due to the decrease in patient accounts receivable. Patient receivables decreased during 2009 by \$603,711, primarily due to Illinois Medicaid paying a high volume of claims in April and May 2009 reducing gross Medicaid accounts receivable by over \$2 million from March 31 to June 30, 2009.

There was \$80,618 drawn on the Hospital's line of credit at June 30, 2009 compared to no draws at June 30, 2008. The draws during 2009 were used to pay the larger cost high dollar health claims unpaid (\$109,357) at the end of fiscal year 2008 and reduce the interest rate from 18% to 5.49%.

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Operating Results and Changes in the Hospital's Net Assets

In 2009, the Hospital's net assets decreased by \$997,929 or 18%, as shown in Table 2. This decrease is made up of several different components and represents a significant decrease compared with the decrease in net assets for 2008 of \$42,955. The total decrease in net assets for the Hospital during 2009 (excluding the E&D Foundation) was \$(1,042,036), compared to a decrease in net assets during 2008 (excluding the E&D Foundation) of \$(262,129). This significant decrease in net assets is primarily due to three major factors. First, there was an increase in wages of \$258,000 in fiscal year 2009 over fiscal year 2008. This came after a reduction of \$153,000 in wages in fiscal year 2008 over fiscal year 2007. Of the \$258,000 increase, \$116,000 was the result of annual wage adjustments and the remaining \$142,000 was the result of staffing the Hospital's new Rural Health Clinic that was certified in April 2009. Second, there was an increase of \$446,000 in healthcare costs for Hospital employees in fiscal year 2009 in the Hospital's self-insured medical plan. This followed a year in which there was a decrease in healthcare costs. Third, the mix of Hospital medical staff covering the emergency room changed requiring the Hospital to utilize additional hours from a contracted emergency physician group. These additional emergency room costs resulted in an increase of \$338,000 for fiscal year 2009.

Table 2: Operating Results and Changes In Net Assets

| | 2009 | 2008 | 2007 |
|---|---------------------|--------------------|---------------------|
| Operating Revenues | | | |
| Net patient service revenue | \$ 10,578,529 | \$ 10,347,347 | \$ 9,923,046 |
| Other operating revenues | 142,878 | 149,298 | 131,931 |
| Total operating revenues | <u>10,721,407</u> | <u>10,496,645</u> | <u>10,054,977</u> |
| Operating Expenses | | | |
| Salaries and wages and employee benefits | 6,004,834 | 5,250,802 | 4,932,781 |
| Purchased services and professional fees | 3,425,490 | 3,121,057 | 2,604,766 |
| Depreciation and amortization | 510,001 | 487,539 | 448,932 |
| Other operating expenses | 2,396,767 | 2,506,044 | 2,134,332 |
| Total operating expenses | <u>12,337,092</u> | <u>11,365,442</u> | <u>10,120,811</u> |
| Operating Loss | <u>(1,615,685)</u> | <u>(868,797)</u> | <u>(65,834)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Noncapital appropriations - Lawrence County | 514,889 | 456,465 | 362,080 |
| Investment return | (7,964) | 31,151 | 66,394 |
| Interest expense | (44,108) | (51,634) | (53,079) |
| Other nonoperating revenues and expenses, net | 91,510 | 135,353 | 77,224 |
| Total nonoperating revenues | <u>554,327</u> | <u>571,335</u> | <u>452,619</u> |
| Restricted Capital Grants and Gifts - contributions to purchase capital assets | <u>63,429</u> | <u>256,480</u> | <u>1,226,619</u> |
| Discontinued Operations | <u>-</u> | <u>(1,973)</u> | <u>(212,889)</u> |
| Decrease in Net Assets | <u>\$ (997,929)</u> | <u>\$ (42,955)</u> | <u>\$ 1,400,515</u> |

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Operating Losses

The first component of the overall change in the Hospital's net assets is its operating income or loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Lawrence County and the surrounding area. The Hospital receives appropriations to help provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2009 increased by \$746,888 as compared to 2008. The primary components of the increased operating loss are:

- An increase in salaries, wages and benefits for the Hospital's employees of \$754,032 or 14% for 2009 and \$318,021 or 6% for 2008 (excluding discontinued operations of the Hospital's psych unit. This increase is primarily due to the opening and staffing of the newly certified Rural Health Clinic during 2009 and the dramatic increase in healthcare costs for Hospital employees as described earlier.
- An increase in purchased services and physician fees of \$304,433 or 10% for 2009 and \$615,094 or 24% for 2008. This increase is primarily due to beginning the utilization of a contract service in the emergency room during fiscal year 2008 and then an additional increase in utilization of these services during fiscal year 2009. Additionally, the costs for physicians in the Rural Health Clinic began in fiscal year 2008 and increased in fiscal year 2009, with the addition of another physician.

Employee salaries and wages and benefits increased in 2009 and 2008 in connection with the Hospital's recruitment efforts as discussed earlier for the staffing of the Rural Health Clinic. These efforts result primarily from the shortage of nurses and other health care professionals in the United States. There was also a significant increase in the health insurance benefits provided to employees during 2009 as a result of increased utilization of Hospital employees and eligible family members for services.

Purchased services and physician fees increased in 2009 and 2008 due to the utilization of outsourced emergency department coverage for a significant portion of 2009 and 2008. Additionally, the Hospital opened a new clinic in fiscal year 2008 that grew in fiscal year 2009 and was certified as Rural Health Clinic in April 2009 with improved reimbursement from Medicare and Medicaid in the future.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of noncapital appropriations received from the County of Lawrence. The Hospital recognized a decrease of approximately \$17,008 or 3% in total nonoperating revenues. This decrease was due to a decrease in noncapital donations received.

Capital Grants and Gifts

The Hospital receives both capital and operating grants from various state agencies for specific programs. The Hospital E&D Foundation also receives grants from private donors for specific programs. Capital grants and gifts received decreased from \$256,480 in 2008 to \$63,429 in 2009 due to private donations received to renovate the medical office building in 2008.

Substantially all of these gifts have been expended and are reflected in unrestricted net assets as of June 30, 2009. Restrictions with respect to unexpended capital grants and gifts are discussed in detail in Note 13 to the financial statements.

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The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2009 and 2008, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2009, the Hospital had \$3,762,371 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. At the end of 2008, the Hospital had \$4,000,823 invested in capital assets, net of accumulated depreciation. In 2009, capital additions were primarily made up of equipment, including a new telephone system. In 2008, the Hospital purchased new equipment costing \$142,435. In 2007, the Hospital purchased new equipment costing \$625,386. Of this amount in 2007, \$579,629 was acquired through incursion of capital lease obligations. The Hospital has recently found it more economical to lease certain equipment principally due to incentives provided by equipment vendors. This allows the Hospital to obtain more favorable maintenance contracts on such equipment and to avoid some of the costs of obsolescence caused by technological changes.

In 2008, additions to construction in progress were made in the amount of \$403,694. As the medical office building is now completed, construction in progress has been transferred to buildings and leasehold improvements in the amount of \$1,533,833.

Debt

At June 30, 2009, the Hospital had \$284,986 in capital lease obligations outstanding. The Hospital issued no new debt in 2009 or 2008 other than the line of credit totaling \$250,000 issued in August 2008. At June 30, 2009, the total amount outstanding on the line of credit was \$80,618. The Hospital's formal debt issuances are subject to limitations imposed by state law.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by telephoning (618) 943-7202.

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Balance Sheets
June 30, 2009 and 2008

Assets

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 970,829 | \$ 972,120 |
| Patient accounts receivable, net of allowance; 2009 - \$1,036,632, 2008 - \$1,028,431 | 1,340,605 | 1,944,316 |
| Due from third-party payors | - | - |
| Supplies | 241,720 | 247,170 |
| Prepaid expenses and other | 120,549 | 133,059 |
| Short-term investments | 79,204 | 99,499 |
| Total current assets | <u>2,752,907</u> | <u>3,396,164</u> |
| Capital Assets, net | <u>3,762,371</u> | <u>4,000,823</u> |
| Total assets | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> |

Liabilities and Net Assets

| | | |
|---|---------------------|---------------------|
| Current Liabilities | | |
| Current portion of capital lease obligations | \$ 147,211 | \$ 212,637 |
| Due to related government | - | 25,333 |
| Due to third-party payors | 151,685 | 14,891 |
| Line of credit | 80,618 | - |
| Accounts payable | 721,767 | 561,530 |
| Accrued expenses | 714,685 | 768,818 |
| Total current liabilities | <u>1,815,966</u> | <u>1,583,209</u> |
| Long-Term Obligations | | |
| Capital lease obligations, non-current portion | <u>137,775</u> | <u>254,312</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 3,477,385 | 3,533,874 |
| Unrestricted | 1,030,723 | 2,025,592 |
| Restricted | 53,429 | - |
| Total net assets | <u>4,561,537</u> | <u>5,559,466</u> |
| Total liabilities and net assets | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> |

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See Notes to Financial Statements

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Unrestricted Revenues, Gains and Other Support | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2009 - \$1,615,155; 2008 - \$1,227,529 | \$ 10,578,529 | \$ 10,347,347 |
| Other revenue | 142,878 | 149,298 |
| Total operating revenue | <u>10,721,407</u> | <u>10,496,645</u> |
| Operating Expenses | | |
| Salaries and wages | 4,144,631 | 3,882,446 |
| Employee benefits | 1,860,203 | 1,368,356 |
| Purchased services and physician fees | 3,425,490 | 3,121,057 |
| Supplies and pharmaceuticals | 1,228,212 | 1,280,479 |
| Utilities | 209,544 | 218,457 |
| Repairs and maintenance | 215,330 | 234,010 |
| Insurance | 282,018 | 375,048 |
| Rent and lease | 91,695 | 53,080 |
| Other expenses | 369,968 | 344,970 |
| Depreciation | 510,001 | 487,539 |
| Total operating expenses | <u>12,337,092</u> | <u>11,365,442</u> |
| Operating Loss | <u>(1,615,685)</u> | <u>(868,797)</u> |
| Nonoperating Revenues (Expenses) | | |
| Noncapital appropriations - Lawrence County | 514,889 | 456,465 |
| Investment return (loss) | (7,964) | 31,151 |
| Interest expense | (44,108) | (51,634) |
| Total nonoperating revenues | <u>462,817</u> | <u>435,982</u> |
| Deficiency of Revenues Over Expenses Before Capital Contributions and Results From Discontinued Operations | <u>(1,152,868)</u> | <u>(432,815)</u> |
| Capital Contributions | | |
| Grant revenues | 83,817 | 18,821 |
| Donations | 7,693 | 116,532 |
| Net assets released from restriction used for purchase of property and equipment | 10,000 | 404,676 |
| Total capital contributions | <u>101,510</u> | <u>540,029</u> |
| Results From Discontinued Operations | <u>-</u> | <u>(1,973)</u> |
| Increase (Decrease) in Unrestricted Net Assets | <u>(1,051,358)</u> | <u>105,241</u> |
| Restricted Net Assets | | |
| Contributions received | 63,429 | 256,480 |
| Net assets released from restriction | (10,000) | (404,676) |
| Increase (Decrease) in Restricted Net Assets | <u>53,429</u> | <u>(148,196)</u> |
| Change in Net Assets | <u>(997,929)</u> | <u>(42,955)</u> |
| Net Assets, Beginning of Year | <u>5,559,466</u> | <u>5,602,421</u> |
| Net Assets, End of Year | <u>\$ 4,561,537</u> | <u>\$ 5,559,466</u> |

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See Notes to Financial Statements

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Operating Activities | | |
| Receipts from and on behalf of patients | \$ 11,319,034 | \$ 10,470,203 |
| Payments to suppliers and contractors | (5,642,908) | (5,665,924) |
| Payments to employees | (6,004,834) | (5,250,802) |
| Other receipts and payments, net | 142,878 | 164,189 |
| Net cash used in operating activities | <u>(185,830)</u> | <u>(282,334)</u> |
| Noncapital Financing Activities | | |
| Non-capital appropriations - Lawrence County | 514,889 | 456,465 |
| Grants received | 91,510 | 135,353 |
| Net cash provided by noncapital financing activities | <u>606,399</u> | <u>591,818</u> |
| Capital and Related Financing Activities | | |
| Proceeds from contributions restricted for investment in capital assets | 63,429 | 256,480 |
| Purchase of capital assets | (271,549) | (625,177) |
| Principal paid on capital leases | (181,963) | (219,197) |
| Interest paid | (44,108) | (51,634) |
| Net cash used in capital and related financing activities | <u>(434,191)</u> | <u>(639,528)</u> |
| Investing Activity - investment return | <u>12,331</u> | <u>38,425</u> |
| Decrease in Cash and Cash Equivalents | (1,291) | (291,619) |
| Cash and Cash Equivalents, Beginning of Year | <u>972,120</u> | <u>1,263,739</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 970,829</u> | <u>\$ 972,120</u> |
| Reconciliation of Operating Revenues (Expenses) to Net Cash Provided by Operating Activities | | |
| Operating loss | \$ (1,615,685) | \$ (868,797) |
| Items not requiring (providing) cash | | |
| Depreciation | 510,001 | 487,539 |
| Provision for uncollectible accounts | 1,615,155 | 1,227,529 |
| Operating losses from discontinued operations | - | (1,973) |
| Changes in: | | |
| Patient accounts receivable | (1,011,444) | (1,435,055) |
| Supplies and other current assets | 17,960 | (14,815) |
| Estimated amounts due from third-party payers | 136,794 | 347,246 |
| Accounts payable and accrued expenses | 161,389 | (24,008) |
| Net cash used in operating activities | <u>\$ (185,830)</u> | <u>\$ (282,334)</u> |

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See Notes to Financial Statements

Lawrence County Memorial Hospital A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lawrence County Memorial Hospital (Hospital) is a critical access hospital located in Lawrenceville, Illinois, owned and operated by Lawrence County, Illinois. The Hospital is a component unit of Lawrence County, Illinois (County) and the Board of County Commissioners appoints members to the Board of Directors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency services to patients in Lawrence County area.

The financial statements include the financial statements of the Endowment and Development Foundation for Lawrence County Memorial Hospital (E&D Foundation). The E&D Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at Lawrence County Memorial Hospital. The E&D Foundation is reported as a blended component unit in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued after November 30, 1989.

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 disclosure 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.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2009 and 2008

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted primarily of money market accounts.

Noncapital Appropriations - Lawrence County

Support from Lawrence County is recognized in the statements of revenues, expenses and changes in net assets when received. Generally, the noncapital appropriations are for the support of certain employee benefits costs and to support the ambulance operations.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee disability and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded any commercial insurance in any of the three proceeding years.

Beginning in fiscal year 2008, the Hospital became partially self-insured for the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$50,000 per claim.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

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Lawrence County Memorial Hospital A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2009 and 2008

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset, except for minor equipment. Minor equipment, in accordance with Medicare guidelines, is capitalized when used as original equipment and expensed when replaced. No depreciation is provided on minor equipment's original acquisition cost. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are used by the Hospital:

| | |
|--------------------------------------|--------------|
| Land improvements | 2 - 20 years |
| Buildings and leasehold improvements | 2 - 40 years |
| Equipment | 5 - 15 years |

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the Hospital are classified in three components: (1) Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by grantors or donors reduced by the outstanding balances of any related borrowings; (3) Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of (1) or (2).

Net assets of the E&D Foundation are classified as either unrestricted or restricted. Restricted net assets are those whose use by the E&D Foundation has been limited by donors to a specific time period or purpose.

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**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

**Notes to Financial Statements
June 30, 2009 and 2008**

Operating Revenues and Expenses

The Hospital has defined its operating revenues and expenses as those relating to the provision of healthcare services. All revenue and expense not meeting the definition of operating are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

Contributed Services

Volunteers have made contributions of their time in furtherance of the Hospital's mission. The value of such contributed services is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

Charity Care

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

Income Taxes

As an essential function of Lawrence County, the Hospital is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The E&D Foundation is exempt from federal income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code. However, the Hospital and E&D Foundation are subject to federal income tax on any unrelated business taxable income.

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**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

**Notes to Financial Statements
June 30, 2009 and 2008**

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- *Medicare* - The Hospital is licensed as Critical Access Hospital status for Medicare reimbursement purposes. This designation changes Medicare reimbursement for inpatient and outpatient services to a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.
- *Medicaid* - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates.

Net patient revenue increased by approximately \$553,000 and \$487,000 for the years ended June 30, 2009 and 2008, respectively, due to the enactment of a state specific provider assessment program to increase Medicaid payments to hospitals. There is no assurance this program will continue to be implemented in the future.

Approximately 63% and 65% of net patient service revenue is from participation in the Medicare and state sponsored Medicaid programs for the years ended June 30, 2009 and 2008, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. State law requires collateralization of all deposits with federal depositor insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state; bonds of any city, county, school district; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2009 and 2008

At June 30, 2009, approximately \$560,000 of the Hospital's bank balances of \$1.1 million were exposed to custodial credit risk, all of which were collateralized. The financial institutions holding the Hospital's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under the FDIC program, through June 30, 2010, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000 for interest-bearing accounts. This increase in federally insured limits is currently set to expire December 31, 2013. At June 30, 2009, the Hospital's interest-bearing cash accounts exceeded federally insured limits by approximately \$560,000.

The Hospital's investments consist primarily of short-term time deposits and money market accounts. However, such instruments are subject to certain risks, as described below:

Interest Rate Risk - Interest rate risk is the risk that interest returns will not be adequate to provide a return that outpaces general economic inflation. Due to the limited amount of the Hospital's investment portfolio, the Hospital's investment policy does not address methods of mitigating interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital's investment policy is silent regarding mitigation of credit risk, however, management does not believe credit risk is a material risk to the Hospital due to the limited size of the investment portfolio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying pledged collateral for the Hospital's investments are held by the counterparties in other than the Hospital's name. The Hospital's investment policy does not address how securities underlying pledged collateral are to be held.

Concentration of Credit Risk - Concentration of credit risk is the risk that a disproportionate share of investments is held at any one issuer. The Hospital places no limit on the amount that may be invested in any one issuer. However, the Hospital maintains a substantial portion of its deposits in one financial institution. The Hospital has not experienced any losses in such amounts and believes it is not exposed to any significant concentration of credit risk on its deposits.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

| | 2009 | 2008 |
|--------------------------------------|---------------------|---------------------|
| Carrying value | | |
| Deposits - cash and cash equivalents | \$ 970,829 | \$ 972,120 |
| Investments | 79,204 | 99,499 |
| | <u>\$ 1,050,033</u> | <u>\$ 1,071,619</u> |

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2009 and 2008

Investments

Investments at June 30 consisted of the following:

| | <u>2009</u> | <u>2008</u> |
|--------------------|------------------|------------------|
| Equity securities | \$ 68,620 | \$ 91,347 |
| Mutual funds | 3,276 | 3,985 |
| Money market funds | <u>7,308</u> | <u>4,167</u> |
| | <u>\$ 79,204</u> | <u>\$ 99,499</u> |

Investment Return

Investment returns (losses) consist primarily of unrealized gains/losses and interest and dividends and totaled \$(7,964) and \$31,151 for the years ended June 30, 2009 and 2008, respectively.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of which are area residents and are insured under third-party payer agreements. Net patient accounts receivable from patients and third-party payers at June 30, 2009 and 2008 was:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Medicare | \$ 509,464 | \$ 553,956 |
| Medicaid | 184,631 | 588,480 |
| Other third-party payers | 430,944 | 581,703 |
| Patients | <u>1,252,198</u> | <u>1,248,608</u> |
| | 2,377,237 | 2,972,747 |
| Less allowance for uncollectible accounts | <u>(1,036,632)</u> | <u>(1,028,431)</u> |
| | <u>\$ 1,340,605</u> | <u>\$ 1,944,316</u> |

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Lawrence County Memorial Hospital
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Notes to Financial Statements
June 30, 2009 and 2008

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2009 and 2008 were:

| | 2009 | | | | Ending Balance |
|--------------------------------------|----------------------|---------------------|-------------|---------------|---------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land and land improvements | \$ 162,736 | \$ - | \$ - | \$ 206,835 | \$ 369,571 |
| Buildings and leasehold improvements | 5,478,988 | 100,363 | - | (288,629) | 5,290,722 |
| Equipment | 4,271,159 | 134,888 | - | 187,220 | 4,593,267 |
| Construction in progress | 37,675 | 36,298 | - | (25,770) | 48,203 |
| | <u>9,950,558</u> | <u>271,549</u> | <u>-</u> | <u>79,656</u> | <u>10,301,763</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 118,306 | 23,187 | - | (8,673) | 132,820 |
| Buildings and leasehold improvements | 2,386,689 | 195,419 | - | 26,753 | 2,608,861 |
| Equipment | 3,444,740 | 291,395 | - | 61,576 | 3,797,711 |
| | <u>5,949,735</u> | <u>510,001</u> | <u>-</u> | <u>79,656</u> | <u>6,539,392</u> |
| Capital assets, net | <u>\$ 4,000,823</u> | <u>\$ (238,452)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,762,371</u> |
| | | | | | |
| | 2008 | | | | Ending Balance |
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land and land improvements | \$ 162,736 | \$ - | \$ - | \$ - | \$ 162,736 |
| Buildings and leasehold improvements | 3,866,107 | 79,048 | - | 1,533,833 | 5,478,988 |
| Equipment | 4,128,724 | 142,435 | - | - | 4,271,159 |
| Construction in progress | 1,167,814 | 403,694 | - | (1,533,833) | 37,675 |
| | <u>9,325,381</u> | <u>625,177</u> | <u>-</u> | <u>-</u> | <u>9,950,558</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 111,989 | 6,317 | - | - | 118,306 |
| Buildings and leasehold improvements | 2,259,762 | 126,927 | - | - | 2,386,689 |
| Equipment | 3,090,445 | 354,295 | - | - | 3,444,740 |
| | <u>5,462,196</u> | <u>487,539</u> | <u>-</u> | <u>-</u> | <u>5,949,735</u> |
| Capital assets, net | <u>\$ 3,863,185</u> | <u>\$ 137,638</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,000,823</u> |

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2009 and 2008

Note 6: Long-Term Obligations

The following is a summary of capital lease obligation transactions for the Hospital for the years ended June 30, 2009 and 2008:

| | Beginning Balance | 2009 | | Ending Balance | Current Portion |
|--|----------------------|-------------|---------------------|-------------------|--------------------|
| | | Additions | Deductions | | |
| Capital lease obligation (a) | \$ 391,367 | \$ - | \$ (112,822) | \$ 278,545 | \$ 140,770 |
| Capital lease obligation (b) | 75,582 | - | (69,141) | 6,441 | 6,441 |
| Total capital lease obligations | \$ 466,949 | \$ - | \$ (181,963) | \$ 284,986 | \$ 147,211 |

| | Beginning Balance | 2008 | | Ending Balance | Current Portion |
|--|----------------------|-------------|---------------------|-------------------|--------------------|
| | | Additions | Deductions | | |
| Capital lease obligation (a) | \$ 495,325 | \$ - | \$ (103,958) | \$ 391,367 | \$ 140,770 |
| Capital lease obligation (b) | 190,821 | - | (115,239) | 75,582 | 71,867 |
| Total capital lease obligations | \$ 686,146 | \$ - | \$ (219,197) | \$ 466,949 | \$ 212,637 |

- (a) Capital lease obligations for certain diagnostic equipment. Terms require 60 monthly installments of \$11,731 per month including interest at 8.2% with the final payment in September 2011. The lease is secured by the lease equipment.
- (b) Various capital lease obligations for certain medical equipment - expiring in 2009; terms range from monthly installments of \$1,354 to \$6,428, including interest ranging from 3.70% to 6.77%. The leases are secured by the leased equipment.

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**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

**Notes to Financial Statements
June 30, 2009 and 2008**

The Hospital is obligated under leases for major movable equipment that are accounted for as capital leases that expire in 2011. Assets under capital leases at June 30, 2009, totaled \$1,213,108, net of accumulated depreciation of \$923,245. Assets under capital leases at June 30, 2008, totaled \$1,213,108, net of accumulated depreciation of \$767,004. The following is a schedule by year of future minimum lease payments under capital leases including interest at rates of 3.7% to 8.2% together with the present value of the future minimum lease payments of the capital leases as of June 30, 2009:

| | | |
|--|----|---------|
| 2010 | \$ | 147,302 |
| 2011 | | 140,770 |
| 2012 | | 23,462 |
| 2013 | | - |
| 2014 | | - |
| Thereafter | | - |
| Total minimum lease payments | | 311,534 |
| Less amount representing interest | | 26,548 |
| Present value of future minimum lease payments | \$ | 284,986 |

Note 7: Line of Credit Agreement

The Hospital has a line of credit of \$250,000 maturing on August 15, 2009. At June 30, 2009, the Hospital had \$80,618 borrowed against the line at 5.49% interest; there were no borrowings on the line at June 30, 2008.

Note 8: Medical Malpractice Claims

The Hospital purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
 June 30, 2009 and 2008

Note 9: Healthcare Self Insurance

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured beginning in 2008 for health claims of participating employees and dependents up to an individual policy maximum of \$50,000. Commercial stop-loss insurance coverage is purchased for claims in excess of \$50,000 per individual. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in 2009.

Activity in the Hospital's accrued employee health claims liability during 2009 is summarized as follows:

| | 2009 | 2008 |
|--|-------------|-----------|
| Balance, beginning of year | \$ 80,000 | \$ - |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 1,169,658 | 905,561 |
| Claims and expenses paid | (1,075,567) | (825,561) |
| Balance, end of year | \$ 174,091 | \$ 80,000 |

Note 10: Noncapital Appropriations - Lawrence County

Lawrence County, of which the Hospital is a component unit, pays a portion of the employer social security taxes, retirement contributions and workmen's compensation insurance on behalf of the Hospital. The on-behalf payments for retirement contributions and social security taxes are limited to a maximum annual amount, at which time the Hospital must reimburse Lawrence County for these expenses. The Hospital recognizes these payments as nonoperating revenue and as operating expense in the period incurred. The County paid payroll taxes and retirement contributions of \$319,889 and \$323,465 for 2009 and 2008, respectively.

Lawrence County also subsidizes the Hospital for providing the County with ambulance service. The Hospital recognizes this subsidy as nonoperating revenue in the period earned. The Hospital recognized subsidy revenue of \$195,000 and \$133,000 for 2009 and 2008, respectively.

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**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

**Notes to Financial Statements
June 30, 2009 and 2008**

Note 11: Pension Plan

Plan Description

Lawrence County contributes on behalf of the Hospital to the Illinois Municipal Retirement Fund (IMRF) an agent multiple-employer defined-benefit pension plan administered by the State of Illinois. Pension expense and the related revenue are recorded for the amount the County is legally required to contribute for the year. The plan provides retirement and disability benefits, including annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees, which is appointed by the Governor with the approval of the State Legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the plan at Illinois Municipal Retirement Fund, Drake Oak Brook Plaza, Suite 500, 2211 York Road, Oak Brook, Illinois 60523-2337 or by calling 1-800-ASK-IMRF.

Funding Policy

The authority to establish and amend the requirements of plan members and the Hospital is set forth in state law and is vested in the plan's Board of Trustees. Plan members (enrolled employees) are required to contribute 4.5% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the rate was 6.08% of annual covered payroll for the calendar year 2009. The Hospital's contributions to the plan on behalf of the employees for the fiscal years ended June 30, 2009 and 2008 were \$243,692 and \$242,231, respectively.

Note 12: Discontinued Operations

In July 2007, the Hospital ceased operations of its inpatient psychiatric unit at the Red Hill Center (Center). The Center's net patient service revenue from the discontinued operations was \$0 and \$8,048 in 2009 and 2008, respectively. The results of the discontinued operations are reported below nonoperating revenue for 2009 and 2008 in accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2009 and 2008

Note 13: Contributions and Restricted Net Assets

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and then released from restriction. Approximately 88% of all contributions were received from one donor in 2008.

Restricted Net Assets

Restricted net assets at June 30 are available for the following purposes or periods:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|------------------|-------------|
| Renovation to patient rooms | \$ 33,429 | \$ - |
| Purchase of medical equipment | <u>20,000</u> | <u>-</u> |
| Total restricted net assets | <u>\$ 53,429</u> | <u>\$ -</u> |

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| Renovations to the medical office building | \$ 10,000 | \$ 404,676 |

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2009 and 2008

Note 14: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes); for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

In 2009 and 2008, the Hospital has been involved in litigation claiming the Hospital has caused damages by reason of unilateral termination of a contract. Management and legal counsel have evaluated the claim and, accordingly, the Hospital has recorded an estimate for the ultimate expected loss. Subsequent to year end, the claim was settled for an amount that did not exceed the amount reserved as of year end.

Note 15: Current Economic Conditions

The current economic environment presents hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in to the allowance for accounts receivable that could negatively impact the Hospital's ability to maintain sufficient liquidity.

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Supplementary Information

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Detailed Balance Sheets
June 30, 2009 and 2008

Assets

| | 2009 | | 2008 | | Total | 2008 | | Total |
|---|------------------|----------------|------------------|------------------|----------------|------------------|------------|-------|
| | Hospital | Foundation | Hospital | Foundation | | E&D | Foundation | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | \$ 886,899 | \$ 83,930 | \$ 970,829 | \$ 931,504 | \$ 40,616 | \$ 972,120 | | |
| Patient accounts receivable, net of allowance: 2009 - \$1,036,632, 2008 - \$1,028,431 | 1,340,605 | - | 1,340,605 | 1,944,316 | - | 1,944,316 | | |
| Due from (to) Medicare | - | - | - | - | - | - | | |
| Supplies | 241,720 | - | 241,720 | 247,170 | - | 247,170 | | |
| Prepaid expenses and other investments | 120,549 | - | 120,549 | 133,059 | - | 133,059 | | |
| | 79,204 | - | 79,204 | 99,499 | - | 99,499 | | |
| Total current assets | 2,589,773 | 163,134 | 2,752,907 | 3,256,049 | 140,115 | 3,396,164 | | |
| Capital Assets, net | 3,762,371 | - | 3,762,371 | 4,000,823 | - | 4,000,823 | | |
| | \$ 6,352,144 | \$ 163,134 | \$ 6,515,278 | \$ 7,256,872 | \$ 140,115 | \$ 7,396,987 | | |

Liabilities and Net Assets

| | | | | | | | |
|---|------------------|----------------|------------------|------------------|----------------|------------------|--|
| Current Liabilities | | | | | | | |
| Current portion of capital lease obligations | \$ 147,211 | \$ - | \$ 147,211 | \$ 212,037 | \$ - | \$ 212,037 | |
| Due to related government | - | - | - | 25,333 | - | 25,333 | |
| Due to third-party payors | 151,685 | - | 151,685 | 14,891 | - | 14,891 | |
| Line of credit | 80,618 | - | 80,618 | - | - | - | |
| Accounts payable | 721,767 | - | 721,767 | 540,442 | 21,088 | 561,530 | |
| Accrued expenses | 714,685 | - | 714,685 | 768,818 | - | 768,818 | |
| Total current liabilities | 1,815,966 | - | 1,815,966 | 1,562,121 | 21,088 | 1,583,209 | |
| Long-Term Obligations - capital lease obligations, non-current portion | 137,775 | - | 137,775 | 254,312 | - | 254,312 | |
| Net Assets | | | | | | | |
| Invested in capital asset, net of related debt | 3,477,385 | - | 3,477,385 | 3,533,874 | - | 3,533,874 | |
| Unrestricted | 921,018 | 109,705 | 1,030,723 | 1,906,565 | 119,027 | 2,025,592 | |
| Restricted | 4,398,403 | 53,429 | 4,561,537 | 5,440,439 | 119,027 | 5,559,466 | |
| Total net assets | 6,352,144 | 163,134 | 6,515,278 | 7,256,872 | 140,115 | 7,396,987 | |
| Total liabilities and net assets | | | | | | | |

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Detailed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

| | 2009 | | 2008 | | Total |
|--|---------------|------------|---------------|------------|---------------|
| | Hospital | Foundation | Hospital | Foundation | |
| Unrestricted Revenues, Gains and Other Support | | | | | |
| Net patient service revenue, net of provision for uncollectible accounts, 2009 - \$1,615,155; 2008 - \$1,217,529 | \$ 10,578,529 | - | \$ 10,578,529 | \$ - | \$ 10,578,529 |
| Other revenue | 142,878 | - | 142,878 | - | 149,298 |
| Total operating revenue | 10,721,407 | - | 10,721,407 | - | 10,495,643 |
| Operating Expenses | | | | | |
| Salaries and wages | 4,144,631 | - | 4,144,631 | - | 3,882,446 |
| Employee benefits | 1,860,203 | - | 1,860,203 | - | 1,368,356 |
| Purchased services and physician fees | 3,425,490 | - | 3,425,490 | - | 3,121,037 |
| Supplies and pharmaceuticals | 1,228,212 | - | 1,228,212 | - | 1,280,479 |
| Utilities | 209,544 | - | 209,544 | - | 218,457 |
| Repairs and maintenance | 215,330 | - | 215,330 | - | 234,010 |
| Insurance | 282,018 | - | 282,018 | - | 375,048 |
| Rent and lease | 91,695 | - | 91,695 | - | 53,080 |
| Other expenses | 364,054 | 5,934 | 369,988 | 59,422 | 344,970 |
| Depreciation | 510,001 | - | 510,001 | - | 487,539 |
| Total operating expenses | 12,331,158 | 5,934 | 12,337,092 | 59,422 | 11,565,442 |
| Operating Loss | (1,609,751) | (5,934) | (1,615,685) | (59,422) | (868,797) |
| Nonoperating Revenues (Expenses) | | | | | |
| Noncapital appropriations - Lawrence County | 514,889 | - | 514,889 | - | 456,465 |
| Investment return (loss) | 11,939 | (19,903) | (7,964) | 1,996 | 31,151 |
| Interest expense | (44,108) | - | (44,108) | - | (51,634) |
| Total nonoperating revenues (expenses) | 482,720 | (19,903) | 462,817 | 1,996 | 435,982 |
| Deficiency of Revenues Over Expenditures Before Capital Contributions and Reverts From Discontinued Operations | (1,127,031) | (25,837) | (1,152,868) | (375,289) | (432,815) |
| Capital Contributions | | | | | |
| Grant revenues | 83,817 | - | 83,817 | - | 18,831 |
| Donations | 1,178 | 6,515 | 7,693 | 20,220 | 116,532 |
| Net assets released from restriction used for purchase of property and equipment | - | 10,000 | 10,000 | - | 404,076 |
| Total capital contributions | 84,995 | 16,515 | 101,510 | 20,220 | 540,029 |
| Results From Discontinued Operations | - | - | - | (1,977) | (1,973) |
| Increase (Decrease) in Unrestricted in Net Assets | (1,042,036) | (9,222) | (1,051,258) | (367,370) | 105,241 |
| Restricted Net Assets | | | | | |
| Contributions received | - | 63,429 | 63,429 | - | 256,480 |
| Net assets released from restriction | - | (10,000) | (10,000) | - | (604,076) |
| Increase (Decrease) in Restricted Net Assets | - | 53,429 | 53,429 | - | (148,196) |
| Transfer From (To) Affiliate | - | - | - | 1,533,833 | - |
| Change in Net Assets | (1,042,036) | 44,107 | (997,929) | 1,271,704 | (42,955) |
| Net Assets, Beginning of Year | 5,440,439 | 119,027 | 5,559,466 | 4,168,735 | 5,602,421 |
| Net Assets, End of Year | 4,398,403 | 163,134 | 4,561,537 | 5,440,439 | 5,539,466 |

**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

Accountants' Report and Financial Statements
June 30, 2010 and 2009

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
June 30, 2010 and 2009

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**Independent Accountants' Report on Financial Statements
and Supplementary Information**

Board of Directors
Lawrence County Memorial Hospital
Lawrenceville, Illinois

We have audited the accompanying balance sheets of Lawrence County Memorial Hospital (Hospital), a component unit of Lawrence County, Illinois, as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence County Memorial Hospital as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Hospital's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP
November 30, 2010

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

Introduction

This management's discussion and analysis of the financial performance of Lawrence County Memorial Hospital (the "Hospital"), a component unit of Lawrence County, provides an overview of the Hospital's financial activities for the years ended June 30, 2010 and 2009. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments decreased in 2010 by \$80,208 or 8%.
- The Hospital's net assets decreased in 2010 by \$194,825 or 4%, compared to a decrease in 2009 of \$997,929 or 18%.
- The Hospital reported operating losses in the past three years of: 2010 \$(752,301), 2009 \$(1,615,685) and 2008 \$(868,797). The operating loss in 2010 decreased by \$863,384 over the operating loss reported in 2009.
- Net nonoperating revenues decreased by \$9,851 or 2% in 2010 compared to 2009.

Using This Annual Report

The Hospital's financial statements consist of three statements - a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets - the difference between assets and liabilities - is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

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The Statements of Cash Flows

The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheets. The Hospital's net assets decreased by \$194,825 or 4% in 2010 over 2009. The Hospital's net assets decreased by \$997,929 or 18% in 2009 over 2008, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

| | 2010 | 2009 | 2008 |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 969,825 | \$ 1,050,033 | \$ 1,071,619 |
| Patient accounts receivable, net | 1,504,163 | 1,340,605 | 1,944,316 |
| Other current assets | 433,703 | 362,269 | 380,229 |
| Capital assets, net | <u>3,696,902</u> | <u>3,762,371</u> | <u>4,000,823</u> |
| Total assets | <u>\$ 6,604,593</u> | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> |
| Liabilities | | | |
| Current liabilities | \$ 2,013,217 | \$ 1,815,966 | \$ 1,583,209 |
| Long-term debt | <u>224,664</u> | <u>137,775</u> | <u>254,312</u> |
| Total liabilities | <u>2,237,881</u> | <u>1,953,741</u> | <u>1,837,521</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 3,273,596 | 3,477,385 | 3,533,874 |
| Restricted expendable | 30,900 | 53,429 | - |
| Unrestricted | <u>1,062,216</u> | <u>1,030,723</u> | <u>2,025,592</u> |
| Total net assets | <u>4,366,712</u> | <u>4,561,537</u> | <u>5,559,466</u> |
| Total liabilities and net assets | <u>\$ 6,604,593</u> | <u>\$ 6,515,278</u> | <u>\$ 7,396,987</u> |

There was \$40,839 drawn on the Hospital's line of credit at June 30, 2010 compared to \$80,618 at June 30, 2009. Also, the Hospital borrowed approximately \$309,000 during the year to purchase additional radiology equipment.

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Operating Results and Changes in the Hospital's Net Assets

In 2010, the Hospital's net assets decreased by \$194,825 or 4%, as shown in Table 2. This decrease is made up of several different components and represents an increase compared with the decrease in net assets for 2009 of \$997,929. The total decrease in net assets for the Hospital during 2010 (excluding the E&D Foundation) was \$(189,202), compared to a decrease in net assets during 2009 (excluding the E&D Foundation) of \$(1,042,036). This decrease in net assets was primarily attributable to an increase in salaries and benefits during the year, while most other expenses were reduced.

Table 2: Operating Results and Changes in Net Assets

| | 2010 | 2009 | 2008 |
|---|---------------------|---------------------|--------------------|
| Operating Revenues | | | |
| Net patient service revenue | \$ 11,454,969 | \$ 10,578,529 | \$ 10,347,347 |
| Other operating revenues | 178,032 | 142,878 | 149,298 |
| Total operating revenues | <u>11,633,001</u> | <u>10,721,407</u> | <u>10,496,645</u> |
| Operating Expenses | | | |
| Salaries and wages and employee benefits | 6,199,636 | 6,004,834 | 5,250,802 |
| Purchased services and professional fees | 3,405,466 | 3,425,490 | 3,121,057 |
| Depreciation and amortization | 523,840 | 510,001 | 487,539 |
| Other operating expenses | 2,256,360 | 2,396,767 | 2,506,044 |
| Total operating expenses | <u>12,385,302</u> | <u>12,337,092</u> | <u>11,365,442</u> |
| Operating Loss | <u>(752,301)</u> | <u>(1,615,685)</u> | <u>(868,797)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Noncapital appropriations - Lawrence County | 407,305 | 514,889 | 456,465 |
| Investment return | 14,846 | (7,964) | 31,151 |
| Interest expense | (33,090) | (44,108) | (51,634) |
| Other nonoperating revenues and expenses, net | 155,415 | 91,510 | 135,353 |
| Total nonoperating revenues | <u>544,476</u> | <u>554,327</u> | <u>571,335</u> |
| Restricted Capital Grants and Gifts - contributions to purchase capital assets | <u>13,000</u> | <u>63,429</u> | <u>256,480</u> |
| Discontinued Operations | <u>-</u> | <u>-</u> | <u>(1,973)</u> |
| Decrease in Net Assets | <u>\$ (194,825)</u> | <u>\$ (997,929)</u> | <u>\$ (42,955)</u> |

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Operating Losses

The first component of the overall change in the Hospital's net assets is its operating income or loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Lawrence County and the surrounding area. The Hospital receives appropriations to help provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2010 decreased by \$863,384 as compared to 2009. The primary components of the decreased operating loss are:

- A focus by management to improve efficiencies and eliminate unnecessary expenditures
- An increase in net patient service revenue of \$876,440 or 8%, which was primarily the result of additional procedures performed by a surgeon who the Hospital contracted with during 2010

Employee salaries and wages and benefits increased in 2010 and 2009 in connection with the Hospital's recruitment efforts, primarily from the shortage of nurses and other health care professionals in the United States.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of noncapital appropriations received from the County of Lawrence. The Hospital recognized a decrease of approximately \$9,851 or 2% in total nonoperating revenues. This decrease was due to a decrease in noncapital appropriations received from Lawrence County.

Capital Grants and Gifts

The Hospital receives both capital and operating grants from various state agencies for specific programs. The Hospital E&D Foundation also receives grants from private donors for specific programs. Capital grants and gifts received decreased from \$63,429 in 2009 to \$13,000 in 2010 due to private donations received to renovate the medical office building which ended in 2009.

Substantially all of these gifts have been expended and are reflected in unrestricted net assets as of June 30, 2010. Restrictions with respect to unexpended capital grants and gifts are discussed in detail in Note 12 to the financial statements.

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The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2010 and 2009, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the Hospital had \$3,696,902 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. At the end of 2009, the Hospital had \$3,762,371 invested in capital assets, net of accumulated depreciation. In 2010, capital additions were primarily made up of equipment, including a picture archiving communication system (PACS). In 2009, the Hospital purchased new equipment, including a new telephone system. In 2008, the Hospital purchased new equipment costing \$142,435.

In 2008, additions to construction in progress were made in the amount of \$403,694. As the medical office building is now completed, construction in progress was transferred to buildings and leasehold improvements in the amount of \$1,533,833.

Debt

At June 30, 2010, the Hospital had \$423,306 in long-term obligations outstanding, including current portions due. The Hospital issued a new promissory note in 2010 totaling \$308,750 for the purchase of the PACS discussed above. The Hospital also renewed the line of credit totaling \$250,000 issued in August 2008. At June 30, 2010 and 2009, the total amount outstanding on the line of credit was \$40,839 and \$80,618, respectively. The Hospital's formal debt issuances are subject to limitations imposed by state law.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by telephoning (618) 943-7202.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Balance Sheets
June 30, 2010 and 2009

Assets

| | 2010 | 2009 |
|--|--------------|--------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 880,197 | \$ 970,829 |
| Patient accounts receivable, net of allowance; 2010 - \$839,489, 2009 - \$1,036,632 | 1,504,163 | 1,340,605 |
| Supplies | 245,357 | 241,720 |
| Prepaid expenses and other | 188,346 | 120,549 |
| Short-term investments | 89,628 | 79,204 |
| Total current assets | 2,907,691 | 2,752,907 |
| Capital Assets, net | 3,696,902 | 3,762,371 |
| Total assets | \$ 6,604,593 | \$ 6,515,278 |

Liabilities and Net Assets

| | | |
|---|--------------|--------------|
| Current Liabilities | | |
| Current portion of long-term obligations | \$ 198,642 | \$ 147,211 |
| Due to third-party payers | 220,000 | 151,685 |
| Line of credit | 40,839 | 80,618 |
| Accounts payable | 857,898 | 721,767 |
| Accrued expenses | 695,838 | 714,685 |
| Total current liabilities | 2,013,217 | 1,815,966 |
| Long-Term Obligations | | |
| Capital lease obligations, noncurrent portion | 15,334 | 137,775 |
| Note payable, noncurrent portion | 209,330 | - |
| Total long-term obligations | 224,664 | 137,775 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 3,273,596 | 3,477,385 |
| Unrestricted | 1,062,216 | 1,030,723 |
| Restricted | 30,900 | 53,429 |
| Total net assets | 4,366,712 | 4,561,537 |
| Total liabilities and net assets | \$ 6,604,593 | \$ 6,515,278 |

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See Notes to Financial Statements

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|---------------|---------------|
| Unrestricted Revenues, Gains and Other Support | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2010 - \$1,333,360; 2009 - \$1,615,155 | \$ 11,454,969 | \$ 10,578,529 |
| Other revenue | 178,032 | 142,878 |
| Total operating revenue | 11,633,001 | 10,721,407 |
| Operating Expenses | | |
| Salaries and wages | 4,451,290 | 4,144,631 |
| Employee benefits | 1,748,346 | 1,860,203 |
| Purchased services and physician fees | 3,405,466 | 3,425,490 |
| Supplies and pharmaceuticals | 1,146,531 | 1,228,212 |
| Utilities | 193,621 | 209,544 |
| Repairs and maintenance | 203,600 | 215,330 |
| Insurance | 181,571 | 282,018 |
| Rent and lease | 157,733 | 91,695 |
| Other expenses | 373,304 | 369,968 |
| Depreciation | 523,840 | 510,001 |
| Total operating expenses | 12,385,302 | 12,337,092 |
| Operating Loss | (752,301) | (1,615,685) |
| Nonoperating Revenues (Expenses) | | |
| Noncapital appropriations - Lawrence County | 407,305 | 514,889 |
| Investment return (loss) | 14,846 | (7,964) |
| Interest expense | (33,090) | (44,108) |
| Gain on sale of assets | 8,867 | - |
| Total nonoperating revenues (expenses) | 397,928 | 462,817 |
| Deficiency of Revenues Over Expenses Before Capital Contributions | (354,373) | (1,152,868) |
| Capital Contributions | | |
| Grant revenues | 46,454 | 83,817 |
| Donations | 100,094 | 7,693 |
| Net assets released from restriction used for purchase of property and equipment | 35,529 | 10,000 |
| Total capital contributions | 182,077 | 101,510 |
| Decrease in Unrestricted Net Assets | (172,296) | (1,051,358) |
| Restricted Net Assets | | |
| Contributions received | 13,000 | 63,429 |
| Net assets released from restriction | (35,529) | (10,000) |
| Increase (Decrease) in Restricted Net Assets | (22,529) | 53,429 |
| Change in Net Assets | (194,825) | (997,929) |
| Net Assets, Beginning of Year | 4,561,537 | 5,559,466 |
| Net Assets, End of Year | \$ 4,366,712 | \$ 4,561,537 |

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See Notes to Financial Statements

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|---|---------------|----------------|
| Operating Activities | | |
| Receipts from and on behalf of patients | \$ 11,359,726 | \$ 11,319,034 |
| Payments to suppliers and contractors | (5,688,882) | (5,642,908) |
| Payments to employees | (6,199,636) | (6,004,834) |
| Other receipts and payments, net | 178,032 | 142,878 |
| Net cash used in operating activities | (350,760) | (185,830) |
| Noncapital Financing Activities | | |
| Noncapital appropriations - Lawrence County | 407,305 | 514,889 |
| Grants received | 146,548 | 91,510 |
| Net cash provided by noncapital financing activities | 553,853 | 606,399 |
| Capital and Related Financing Activities | | |
| Proceeds from contributions restricted for investment in capital assets | 13,000 | 63,429 |
| Purchase of capital assets | (426,377) | (271,549) |
| Principal paid on capital leases and note payable | (170,430) | (181,963) |
| Interest paid | (33,090) | (44,108) |
| Proceeds from issuance of note payable | 308,750 | - |
| Proceeds from disposal of capital assets | 10,000 | - |
| Net cash used in capital and related financing activities | (298,147) | (434,191) |
| Investing Activity - investment return | 4,422 | 12,331 |
| Decrease in Cash and Cash Equivalents | (90,632) | (1,291) |
| Cash and Cash Equivalents, Beginning of Year | 970,829 | 972,120 |
| Cash and Cash Equivalents, End of Year | \$ 880,197 | \$ 970,829 |
| Reconciliation of Operating Revenues (Expenses) to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (752,301) | \$ (1,615,685) |
| Items not requiring cash | | |
| Depreciation | 523,840 | 510,001 |
| Provision for uncollectible accounts | 1,333,360 | 1,615,155 |
| Changes in: | | |
| Patient accounts receivable | (1,496,918) | (1,011,444) |
| Supplies and other current assets | (71,434) | 17,960 |
| Estimated amounts due from third-party payers | 68,315 | 136,794 |
| Accounts payable and accrued expenses | 44,378 | 161,389 |
| Net cash used in operating activities | \$ (350,760) | \$ (185,830) |
| Capital assets acquisitions included in accounts payable | \$ 33,129 | \$ - |

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See Notes to Financial Statements

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lawrence County Memorial Hospital (Hospital) is a critical access hospital located in Lawrenceville, Illinois, owned and operated by Lawrence County, Illinois. The Hospital is a component unit of Lawrence County, Illinois (County) and the Board of County Commissioners appoints members to the Board of Directors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency services to patients in Lawrence County area.

The financial statements include the financial statements of the Endowment and Development Foundation for Lawrence County Memorial Hospital (E&D Foundation). The E&D Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at Lawrence County Memorial Hospital. The E&D Foundation is reported as a blended component unit in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued after November 30, 1989.

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 disclosure 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.

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2010 and 2009, cash equivalents consisted primarily of money market accounts.

Noncapital Appropriations - Lawrence County

Support from Lawrence County is recognized in the statements of revenues, expenses and changes in net assets when received. Generally, the noncapital appropriations are for the support of certain employee benefits costs and to support the ambulance operations.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice, employee disability and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded any commercial insurance in any of the three preceding years.

The Hospital is partially self-insured for the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$50,000 per claim.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

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Lawrence County Memorial Hospital A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2010 and 2009

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset, except for minor equipment. Minor equipment, in accordance with Medicare guidelines, is capitalized when used as original equipment and expensed when replaced. No depreciation is provided on minor equipment's original acquisition cost. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are used by the Hospital:

| | |
|--------------------------------------|--------------|
| Land improvements | 2 - 20 years |
| Buildings and leasehold improvements | 2 - 40 years |
| Equipment | 5 - 15 years |

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the Hospital are classified in three components: (1) Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by grantors or donors reduced by the outstanding balances of any related borrowings; (3) Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of (1) or (2).

Net assets of the E&D Foundation are classified as either unrestricted or restricted. Restricted net assets are those whose use by the E&D Foundation has been limited by donors to a specific time period or purpose.

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Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Operating Revenues and Expenses

The Hospital has defined its operating revenues and expenses as those relating to the provision of healthcare services. All revenue and expense not meeting the definition of operating are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

Contributed Services

Volunteers have made contributions of their time in furtherance of the Hospital's mission. The value of such contributed services is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Total amount of charity care provided in fiscal year June 30, 2010 and 2009 was \$505,417 and \$439,443, respectively.

Income Taxes

As an essential function of Lawrence County, the Hospital is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The E&D Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. However, the Hospital and the E&D Foundation are subject to federal income tax on any unrelated business taxable income.

During 2010, the E&D Foundation adopted the provisions of ASC Topic 740, *Income Taxes*, concerning the accounting and disclosures for uncertain tax positions, previously deferred by ASC 740-10-65. As part of the implementation of this standard, management evaluated its current tax positions and determined the adoption of this standard had no material impact on the financial statements of the E&D Foundation. The tax years still subject to examination by taxing authorities are years subsequent to 2006.

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Lawrence County Memorial Hospital A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2010 and 2009

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- *Medicare* - The Hospital is licensed as Critical Access Hospital status for Medicare reimbursement purposes. This designation changes Medicare reimbursement for inpatient and outpatient services to a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.
- *Medicaid* - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates.

Net patient revenue increased by approximately \$522,000 and \$553,000 for the years ended June 30, 2010 and 2009, respectively, due to the enactment of a state specific provider assessment program to increase Medicaid payments to hospitals. There is no assurance this program will continue to be implemented in the future.

Approximately 70% and 63% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2010 and 2009, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. State law requires collateralization of all deposits with federal depositor insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state; bonds of any city, county, school district; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

At June 30, 2010, approximately \$414,000 of the Hospital's bank balances of \$970,000 were exposed to custodial credit risk, all of which were collateralized. The financial institutions holding the Hospital's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under the FDIC program, through December 31, 2012, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective July 21, 2010, the FDIC's insurance limits increased permanently to \$250,000 for interest-bearing accounts. At June 30, 2010, the Hospital's interest-bearing cash accounts exceeded federally insured limits by approximately \$414,000.

The Hospital's investments consist primarily of short-term time deposits and money market accounts. However, such instruments are subject to certain risks, as described below:

Interest Rate Risk - Interest rate risk is the risk that interest returns will not be adequate to provide a return that outpaces general economic inflation. Due to the limited amount of the Hospital's investment portfolio, the Hospital's investment policy does not address methods of mitigating interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital's investment policy is silent regarding mitigation of credit risk, however, management does not believe credit risk is a material risk to the Hospital due to the limited size of the investment portfolio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying pledged collateral for the Hospital's investments are held by the counterparties in other than the Hospital's name. The Hospital's investment policy does not address how securities underlying pledged collateral are to be held.

Concentration of Credit Risk - Concentration of credit risk is the risk that a disproportionate share of investments is held at any one issuer. The Hospital places no limit on the amount that may be invested in any one issuer. However, the Hospital maintains a substantial portion of its deposits in one financial institution. The Hospital has not experienced any losses in such amounts and believes it is not exposed to any significant concentration of credit risk on its deposits.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|-------------------|---------------------|
| Carrying value | | |
| Deposits - cash and cash equivalents | \$ 880,197 | \$ 970,829 |
| Investments | <u>89,628</u> | <u>79,204</u> |
| | <u>\$ 969,825</u> | <u>\$ 1,050,033</u> |

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Investments

Investments at June 30 consisted of the following:

| | 2010 | 2009 |
|--------------------|------------------|------------------|
| Equity securities | \$ 76,202 | \$ 68,620 |
| Mutual funds | 3,827 | 3,276 |
| Money market funds | 9,599 | 7,308 |
| | <u>\$ 89,628</u> | <u>\$ 79,204</u> |

Investment Return

Investment returns (losses) consist primarily of unrealized gains/losses and interest and dividends and totaled \$14,846 and \$(7,964) for the years ended June 30, 2010 and 2009, respectively.

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of which are area residents and are insured under third-party payer agreements. Net patient accounts receivable from patients and third-party payers at June 30, 2010 and 2009 was:

| | 2010 | 2009 |
|---|---------------------|---------------------|
| Medicare | \$ 489,922 | \$ 509,464 |
| Medicaid | 187,917 | 184,631 |
| Other third-party payers | 596,583 | 430,944 |
| Patients | 1,069,230 | 1,252,198 |
| | <u>2,343,652</u> | <u>2,377,237</u> |
| Less allowance for uncollectible accounts | (839,489) | (1,036,632) |
| | <u>\$ 1,504,163</u> | <u>\$ 1,340,605</u> |

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 were:

| | 2010 | | | | Ending Balance |
|--------------------------------------|----------------------|---------------------|-------------------|---------------|---------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land and land improvements | \$ 369,571 | \$ - | \$ - | \$ - | \$ 369,571 |
| Buildings and leasehold improvements | 5,290,722 | - | - | 43,087 | 5,333,809 |
| Equipment | 4,593,267 | 406,353 | (68,000) | 58,269 | 4,989,889 |
| Construction in progress | 48,203 | 53,153 | - | (101,356) | - |
| | <u>10,301,763</u> | <u>459,506</u> | <u>(68,000)</u> | <u>-</u> | <u>10,693,269</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 132,820 | 22,591 | - | - | 155,411 |
| Buildings and leasehold improvements | 2,608,861 | 193,297 | - | (25,000) | 2,777,158 |
| Equipment | 3,797,711 | 307,952 | (66,865) | 25,000 | 4,063,798 |
| | <u>6,539,392</u> | <u>523,840</u> | <u>(66,865)</u> | <u>-</u> | <u>6,996,367</u> |
| Capital assets, net | <u>\$ 3,762,371</u> | <u>\$ (64,334)</u> | <u>\$ (1,135)</u> | <u>\$ -</u> | <u>\$ 3,696,902</u> |
| | | | | | |
| | 2009 | | | | Ending Balance |
| | Beginning Balance | Additions | Disposals | Transfers | |
| Land and land improvements | \$ 162,736 | \$ - | \$ - | \$ 206,835 | \$ 369,571 |
| Buildings and leasehold improvements | 5,478,988 | 100,363 | - | (288,629) | 5,290,722 |
| Equipment | 4,271,159 | 134,888 | - | 187,220 | 4,593,267 |
| Construction in progress | 37,675 | 36,298 | - | (25,770) | 48,203 |
| | <u>9,950,558</u> | <u>271,549</u> | <u>-</u> | <u>79,656</u> | <u>10,301,763</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 118,306 | 23,187 | - | (8,673) | 132,820 |
| Buildings and leasehold improvements | 2,386,689 | 195,419 | - | 26,753 | 2,608,861 |
| Equipment | 3,444,740 | 291,395 | - | 61,576 | 3,797,711 |
| | <u>5,949,735</u> | <u>510,001</u> | <u>-</u> | <u>79,656</u> | <u>6,539,392</u> |
| Capital assets, net | <u>\$ 4,000,823</u> | <u>\$ (238,452)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,762,371</u> |

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Note 6: Long-Term Obligations

The following is a summary of capital lease obligation transactions for the Hospital for the years ended June 30, 2010 and 2009:

| | 2010 | | | | |
|------------------------------|----------------------|-------------------|---------------------|-------------------|--------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Capital lease obligation (a) | \$ 278,545 | \$ - | \$ (122,441) | \$ 156,104 | \$ 140,770 |
| Capital lease obligation (b) | 6,441 | - | (6,441) | - | - |
| Note payable (c) | - | 308,750 | (41,548) | 267,202 | 57,872 |
| Total long-term obligations | <u>\$ 284,986</u> | <u>\$ 308,750</u> | <u>\$ (170,430)</u> | <u>\$ 423,306</u> | <u>\$ 198,642</u> |

| | 2009 | | | | |
|------------------------------|----------------------|-------------|---------------------|-------------------|--------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Capital lease obligation (a) | \$ 391,367 | \$ - | \$ (112,822) | \$ 278,545 | \$ 140,770 |
| Capital lease obligation (b) | 75,582 | - | (69,141) | 6,441 | 6,441 |
| Total long-term obligations | <u>\$ 466,949</u> | <u>\$ -</u> | <u>\$ (181,963)</u> | <u>\$ 284,986</u> | <u>\$ 147,211</u> |

- (a) Capital lease obligations for certain diagnostic equipment. Terms require 60 monthly installments of \$11,731 per month including interest at 8.2% with the final payment in September 2011. The lease is secured by the lease equipment.
- (b) Various capital lease obligations for certain medical equipment - expired in 2010; terms ranged from monthly installments of \$1,354 to \$6,428, including interest ranging from 3.70% to 6.77%.
- (c) Promissory note to finance the purchase of certain diagnostic equipment. Terms require 60 monthly installments of \$5,826 per month including interest at 5.0% with the final payment in October 2014. This note is secured by the purchased equipment.

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2010 and 2009

The Hospital is obligated under leases for major movable equipment that are accounted for as capital leases that expire in 2011. Assets under capital leases at June 30, 2010, totaled \$559,201, net of accumulated depreciation of \$428,721. Assets under capital leases at June 30, 2009, totaled \$1,213,108, net of accumulated depreciation of \$923,245. The following is a schedule by year of future minimum payments under long-term obligations (including interest at a rate of 6.8% for the capital lease) together with the present value of the future minimum lease payments of the capital leases as of June 30, 2010:

| | Capital Lease | Note Payable | Total |
|--|-------------------|-------------------|-------------------|
| 2011 | \$ 140,770 | \$ 57,872 | \$ 198,642 |
| 2012 | 23,462 | 60,833 | 84,295 |
| 2013 | - | 63,944 | 63,944 |
| 2014 | - | 67,216 | 67,216 |
| 2015 | - | 17,337 | 17,337 |
| Thereafter | - | - | - |
| Total minimum lease payments | <u>164,232</u> | <u>267,202</u> | <u>431,434</u> |
| Less amount representing interest | <u>8,128</u> | <u>-</u> | <u>8,128</u> |
| Present value of future minimum lease and debt payments | <u>\$ 156,104</u> | <u>\$ 267,202</u> | <u>\$ 423,306</u> |

Note 7: Line of Credit Agreement

The Hospital has a line of credit of \$250,000 maturing on September 22, 2010. At June 30, 2010 and 2009, the Hospital had \$40,839 and \$80,618, respectively, borrowed against the line at an interest rate of 5.5%. Subsequent to year-end, the Hospital extended this note, which requires regular monthly payments of interest and is due upon demand.

Note 8: Medical Malpractice Claims

The Hospital purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2010 and 2009

Note 9: Healthcare Self Insurance

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured beginning in 2008 for health claims of participating employees and dependents up to an individual policy maximum of \$50,000. Commercial stop-loss insurance coverage is purchased for claims in excess of \$50,000 per individual. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in 2010.

Activity in the Hospital's accrued employee health claims liability during 2010 is summarized as follows:

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| Balance, beginning of year | \$ 174,091 | \$ 80,000 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 1,026,006 | 1,169,658 |
| Claims and expenses paid | <u>(1,082,209)</u> | <u>(1,075,567)</u> |
| Balance, end of year | <u>\$ 117,888</u> | <u>\$ 174,091</u> |

Note 10: Noncapital Appropriations - Lawrence County

Lawrence County, of which the Hospital is a component unit, pays a portion of the employer social security taxes, retirement contributions and workmen's compensation insurance on behalf of the Hospital. The on-behalf payments for retirement contributions and social security taxes are limited to a maximum annual amount, at which time the Hospital must reimburse Lawrence County for these expenses. The Hospital recognizes these payments as nonoperating revenue and as operating expense in the period incurred. The County paid payroll taxes and retirement contributions of \$274,327 and \$319,889 for 2010 and 2009, respectively.

Lawrence County also subsidizes the Hospital for providing the County with ambulance service. The Hospital recognizes this subsidy as nonoperating revenue in the period earned. The Hospital recognized subsidy revenue of \$132,978 and \$195,000 for 2010 and 2009, respectively.

ATTACHMENT-39D

**Lawrence County Memorial Hospital
A Component Unit of Lawrence County**

**Notes to Financial Statements
June 30, 2010 and 2009**

Note 11: Pension Plan

Plan Description

Lawrence County contributes on behalf of the Hospital to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer defined-benefit pension plan administered by the State of Illinois. Pension expense and the related revenue are recorded for the amount the County is legally required to contribute for the year. The plan provides retirement and disability benefits, including annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees, which is appointed by the Governor with the approval of the State Legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the plan at Illinois Municipal Retirement Fund, Drake Oak Brook Plaza, Suite 500, 2211 York Road, Oak Brook, Illinois 60523-2337 or by calling 1-800-ASK-IMRF.

Funding Policy

The authority to establish and amend the requirements of plan members and the Hospital is set forth in state law and is vested in the plan's Board of Trustees. Plan members (enrolled employees) are required to contribute 4.5% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the rate was 8.49% of annual covered payroll for the calendar year 2010. The Hospital's contributions to the plan on behalf of the employees for the fiscal years ended June 30, 2010 and 2009 were \$289,932 and \$243,692, respectively.

Note 12: Contributions and Restricted Net Assets

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and then released from restriction. Approximately 88% of all contributions were received from one donor in 2009.

ATTACHMENT--39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County

Notes to Financial Statements
June 30, 2010 and 2009

Restricted Net Assets

Restricted net assets at June 30 are available for the following purposes or periods:

| | 2010 | 2009 |
|--------------------------------|------------------|------------------|
| Renovation to patient rooms | \$ 25,729 | \$ 33,429 |
| Purchase of medical equipment | 5,071 | 20,000 |
| Expansion of surgical addition | 100 | - |
| Total restricted net assets | <u>\$ 30,900</u> | <u>\$ 53,429</u> |

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | 2010 | 2009 |
|--------------------------------|------------------|------------------|
| Renovations to patient rooms | \$ 8,000 | \$ 10,000 |
| Purchase of medical equipment | 15,029 | - |
| Expansion for surgery addition | 12,500 | - |
| Total releases | <u>\$ 35,529</u> | <u>\$ 10,000</u> |

Note 13: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes); for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Notes to Financial Statements
June 30, 2010 and 2009

Note 14: Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in the allowance for accounts receivable that could negatively impact the Hospital's ability to maintain sufficient liquidity.

Note 15: Subsequent Events

Subsequent to year end, the Board of Directors of the Hospital approved the transfer of ownership of the Hospital from Lawrence County to a stand-alone not-for-profit organization. The not-for-profit organization will be organized as a 501(c)(3) organization upon the effective date, which is expected to be during fiscal year 2011.

Additionally, the Hospital is planning to transfer the ambulance services to a separate department of Lawrence County during fiscal year 2011.

Subsequent events have been evaluated through November 30, 2010, which is the date the financial statements were available to be issued.

ATTACHMENT-39D

Supplementary Information

ATTACHMENT-39D

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Detailed Balance Sheets
June 30, 2010 and 2009

Assets

| | 2010 | | | 2009 | | | | |
|---|--------------|----------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | Hospital | EAD Foundation | Eliminations | Total | Hospital | EAD Foundation | Eliminations | Total |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | \$ 805,100 | \$ 75,097 | \$ - | \$ 880,197 | \$ 806,899 | \$ 81,990 | \$ - | \$ 970,829 |
| Philips accounts receivable, net of allowance; 2010 - \$839,489, 2009 - \$1,016,652 | 1,504,163 | - | - | 1,504,163 | 1,340,665 | - | - | 1,340,665 |
| Due from related party - current | 245,357 | 57,872 | (57,872) | 245,357 | 241,720 | - | - | 241,720 |
| Supplies | 195,560 | - | (7,214) | 188,346 | 120,549 | - | - | 120,549 |
| Prepaid expenses and other investments | - | 89,623 | - | 89,623 | - | 79,204 | - | 79,204 |
| Total current assets | 2,750,180 | 223,597 | (65,086) | 2,907,691 | 2,588,773 | 162,134 | - | 2,752,907 |
| Due From Related Party, net of current portion | - | 209,130 | (209,330) | - | - | - | - | - |
| Capital Assets, net | 3,696,902 | - | - | 3,696,902 | 3,762,371 | - | - | 3,762,371 |
| Total assets | \$ 6,447,082 | \$ 431,927 | \$ (274,416) | \$ 6,604,593 | \$ 6,352,144 | \$ 162,134 | \$ - | \$ 6,515,278 |

Liabilities and Net Assets

| | | | | | | | | |
|--|--------------|------------|--------------|--------------|--------------|------------|------|--------------|
| Current Liabilities | | | | | | | | |
| Current portion of long-term obligations | \$ 198,642 | \$ 57,872 | \$ (57,872) | \$ 198,642 | \$ 147,211 | \$ - | \$ - | \$ 147,211 |
| Due to third-party payers | 220,000 | - | - | 220,000 | 151,685 | - | - | 151,685 |
| Line of credit | 40,839 | - | - | 40,839 | 80,618 | - | - | 80,618 |
| Accounts payable | 857,898 | 7,214 | (7,214) | 857,898 | 721,767 | - | - | 721,767 |
| Accrued expenses | 695,838 | - | - | 695,838 | 714,685 | - | - | 714,685 |
| Total current liabilities | 2,013,217 | 65,086 | (65,086) | 2,013,217 | 1,815,966 | - | - | 1,815,966 |
| Long-Term Obligations | | | | | | | | |
| Capital lease obligations, noncurrent portion | 15,334 | - | - | 15,334 | 137,775 | - | - | 137,775 |
| Due to related party | 209,330 | - | (209,330) | - | - | - | - | - |
| Note payable, noncurrent portion | - | 209,330 | - | 209,330 | - | - | - | - |
| Total long-term obligations | 224,664 | 209,330 | (209,330) | 224,664 | 137,775 | - | - | 137,775 |
| Net Assets | | | | | | | | |
| Invested in capital asset, net of related debt | 3,273,596 | - | - | 3,273,596 | 3,477,385 | - | - | 3,477,385 |
| Unrestricted | 935,605 | 126,611 | - | 1,062,216 | 921,018 | 109,205 | - | 1,080,723 |
| Restricted | - | 30,900 | - | 30,900 | - | 53,429 | - | 53,429 |
| Total net assets | 4,209,201 | 157,511 | - | 4,366,712 | 4,398,403 | 163,134 | - | 4,561,337 |
| Total liabilities and net assets | \$ 6,447,082 | \$ 431,927 | \$ (274,416) | \$ 6,604,593 | \$ 6,352,144 | \$ 162,134 | \$ - | \$ 6,515,278 |

Lawrence County Memorial Hospital
A Component Unit of Lawrence County
Detailed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

| | 2010 | | 2009 | |
|--|---------------|------------|---------------|------------|
| | Hospital | Foundation | Hospital | Foundation |
| Unrestricted Revenues, Gains and Other Support | | | | |
| Net patient service revenue, net of provision for uncollectible accounts: 2010 - \$1,333,366; 2009 - \$1,613,153 | \$ 11,454,969 | \$ - | \$ 10,578,529 | \$ - |
| Other revenue | 176,032 | - | 142,878 | - |
| Total operating revenue | 11,631,001 | - | 10,721,407 | - |
| Operating Expenses | | | | |
| Salaries and wages | 4,451,290 | - | 4,144,631 | - |
| Employee benefits | 1,748,346 | - | 1,860,203 | - |
| Purchased services and physician fees | 3,405,466 | - | 3,423,490 | - |
| Supplies and pharmaceuticals | 1,146,531 | - | 1,228,212 | - |
| Utilities | 193,621 | - | 209,344 | - |
| Repairs and maintenance | 203,600 | - | 215,330 | - |
| Insurance | 181,571 | - | 282,018 | - |
| Rent and lease | 157,733 | - | 91,695 | - |
| Other expenses | 373,461 | 35,843 | 364,034 | 5,994 |
| Depreciation | 523,840 | - | 510,001 | - |
| Total operating expenses | 12,349,459 | 35,843 | 12,331,158 | 5,934 |
| Operating Loss | (716,458) | (35,843) | (1,609,751) | (5,934) |
| Nonoperating Revenues (Expenses) | | | | |
| Noncapital appropriations - Lawrence County | 407,305 | - | 514,839 | - |
| Investment return (loss) | 3,703 | 11,143 | 11,939 | (19,903) |
| Interest expense | (31,098) | - | (44,108) | - |
| Gain on sale of asset | 8,867 | - | - | - |
| Total nonoperating revenues (expenses) | 388,785 | 11,143 | 482,720 | (19,903) |
| Deficiency of Revenues Over Expenditures Before Capital Contributions | (329,673) | (24,700) | (1,127,031) | (25,837) |
| Capital Contributions | | | | |
| Grant revenues | 46,454 | - | 83,817 | - |
| Donations | 94,017 | 6,077 | 1,178 | 6,515 |
| Net assets released from restriction used for purchase of property and equipment | - | 35,529 | - | 10,000 |
| Total capital contributions | 140,471 | 41,606 | 84,995 | 16,515 |
| Increase (Decrease) in Unrestricted Net Assets | (189,202) | 16,906 | (1,042,036) | (9,322) |
| Restricted Net Assets | | | | |
| Contributions received | - | 13,000 | - | 63,429 |
| Net assets released from restriction | - | (35,529) | - | (10,000) |
| Increase (Decrease) in Restricted Net Assets | - | (22,529) | - | 53,429 |
| Change in Net Assets | (189,202) | (5,623) | (1,042,036) | 44,107 |
| Net Assets, Beginning of Year | 4,398,408 | 163,134 | 5,440,439 | 119,027 |
| Net Assets, End of Year | \$ 4,209,206 | \$ 157,511 | \$ 4,398,403 | \$ 163,134 |

FINANCIAL VIABILITY WAIVER

The co-applicants are not required to submit financial viability ratios because:

All of the project's capital expenditures are completely funded through internal sources of Lawrence County.

The County proposes to transfer all personal property and the hospital building to Lawrence County Memorial Hospital (the new corporation) and to lease the hospital real property to the new corporation for \$1.00 per year for 99 years. The County is paying legal and consulting fees associated with the conversion. (Please see Statement of Funding in ATTACHMENT-39A.) The new corporation will have no expenditures to capitalize.

ATTACHMENT-40

ATTACHMENT-42

1. Projected Operating Costs

Attachment-42A is an operating budget for Lawrence County Memorial Hospital for fiscal year ending June 30, 2011. Operating costs will not increase due to the conversion. As of the effective date of the conversion of the hospital from the County to a not-for-profit hospital, positive changes in the operating budget will be based mostly on improved reimbursement from operations and lower contributions to employee retirement. Lawrence County will be relieved of approximately \$250,000 as contributions to the Illinois Municipal Retirement Fund for hospital employees. The new corporation will make employee contributions under new employee retirement plans, resulting in anticipated annual savings to the hospital of \$50,000.

2. Total Effect of Project on Capital Costs.

No capital expenditures are involved in the project. The new 501(c)(3) corporation anticipates being able to apply for grants for capital purchases that are not currently available to the hospital as a county-owned entity.

ATTACHMENT-42

LAWRENCE COUNTY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
BUDGET FOR THE FYE 6-30-2011

1/27/2011 15:44

APPROVED
BUDGET

| | |
|-----------------------------|----------------------|
| REVENUES | |
| PATIENT REVENUES | |
| INPATIENT | 6,931,026 |
| OUTPATIENT | 19,679,730 |
| - | |
| TOTAL PATIENT | <u>26,610,756</u> |
| DISC AND ALLOW | -13,049,892 |
| - | |
| TOTAL NET REVE | <u>13,560,864</u> |
| OTHER OPER REVEN | 138,060 |
| - | |
| TOTAL OPER REV | <u>13,698,924</u> |
| OPERATING EXPENSES | |
| SALARIES AND WAGES | 4,519,889 |
| FRINGE BENEFITS | 2,087,180 |
| CONTRACT LABOR | 381,373 |
| PHYSICIANS FEES | 1,241,702 |
| PURCHASED SERVICES | 1,618,149 |
| PROFESSIONAL FEE | 499,621 |
| SUPPLY EXPENSE | 935,427 |
| UTILITIES | 177,702 |
| REPAIRS & MAINTENANCE | 195,843 |
| INSURANCE EXPENSE | 181,531 |
| DRUGS AND ALL OTHER | 192,883 |
| BAD DEBT EXP LESS RECOVERY | 1,416,287 |
| LEASES AND RENTAL | 116,383 |
| DEPRECIATION | 552,922 |
| INTEREST EXPENSE | 29,785 |
| - | |
| TOTAL OPER EXP | <u>14,146,677</u> |
| INC/LOSS FROM OPERATIONS | -447,753 |
| NON-OPERATING REV (EXPENSE) | 438,016 |
| - | |
| NET INCOME/LOSS | <u><u>-9,737</u></u> |

ATTACHMENT-42A

| CHARITY CARE | | | |
|--|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 |
| Net Patient Revenue | \$11,454,969 | \$10,578,529 | \$10,347,347 |
| Amount of Charity Care (charges) | \$352,130 | \$285,231 | \$254,742 |
| Cost of Charity Care | \$171,869 | \$138,052 | \$126,174 |
| Ratio of charity care cost to net patient revenue: | .015 | .013 | .012 |

ATTACHMENT-44