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Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2011
Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 10-01-2011 and ending 09-30-2012

- B** Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending

C Name of organization
 WALTER KNOX MEMORIAL HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite
 1202 EAST LOCUST STREET

City or town, state or country, and ZIP + 4
 EMMETT, ID 83617

D Employer identification number
 82-6000422

E Telephone number
 (208) 365-3561

G Gross receipts \$ 11,496,307

F Name and address of principal officer
 JOHN OLSON CEO
 1202 E LOCUST STREET
 EMMETT, ID 83617

H(a) Is this a group return for affiliates? Yes No

H(b) Are all affiliates included? Yes No
 If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527

J Website: ▶ WWW WKM H O R G

K Form of organization Corporation Trust Association Other ▶ GOVERNMENT

L Year of formation 1963 **M** State of legal domicile ID

Part I Summary

1 Briefly describe the organization's mission or most significant activities
 PROVIDING EXCELLENT HEALTHCARE AND PROMOTING QUALITY OF LIFE IN OUR COMMUNITY

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)	3	10
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	108
6 Total number of volunteers (estimate if necessary)	6	26
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
7b Net unrelated business taxable income from Form 990-T, line 34	7b	

		Revenue	
		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	22,086	40,933
9	Program service revenue (Part VIII, line 2g)	10,419,643	10,794,422
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	77,527	103,340
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	73,740	62,384
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	10,592,996	11,001,079
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	4,364	38
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	4,673,463	5,014,492
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	5,283,329	5,851,509
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	9,961,156	10,866,039
19	Revenue less expenses Subtract line 18 from line 12	631,840	135,040

		Net Assets or Fund Balances	
		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	15,681,980	15,855,268
21	Total liabilities (Part X, line 26)	3,856,938	3,895,186
22	Net assets or fund balances Subtract line 21 from line 20	11,825,042	11,960,082

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

 Signature of officer

2013-02-22
 Date

JOHN OLSON CEO
 Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ THOMAS DINGUS Date 2013-03-18 Check if self-employed Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ DINGUS ZARECOR & ASSOCIATES
 12015 E MAIN STE A
 SPOKANE VALLEY, WA 99206

EIN ▶ Phone no ▶ (509) 242-0874

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III Yes No

1 Briefly describe the organization's mission
PROVIDING EXCELLENT HEALTHCARE AND PROMOTING QUALITY OF LIFE IN OUR COMMUNITY

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses \$ 9,162,934 including grants of \$ 38) (Revenue \$ 10,794,422)
WALTER KNOX MEMORIAL HOSPITAL IS A 16-BED CRITICAL ACCESS HOSPITAL THAT OFFERS ACUTE CARE, EMERGENCY CARE, GENERAL SURGERY, LABORATORY, DIAGNOSTIC IMAGING, OBSTETRICS, ONCOLOGY, PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY, VISITING SPECIALTY PROVIDER CLINICS, AND A VARIETY OF OUTPATIENT SERVICES EMERGENCY SERVICES ARE OFFERED REGARDLESS OF THE PATIENT'S ABILITY TO PAY THE FACILITY PROVIDED 1,009 DAYS OF PATIENT SERVICES WHICH INCLUDES 131 NURSERY DAYS THE FACILITY ALSO PROVIDED 5,952 EMERGENCY ROOM VISITS THE HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST AND TO INDIVIDUALS WHO ARE UNABLE TO PAY THE UNREIMBURSED VALUE OF PROVIDING CARE TO THESE PATIENTS WAS 222,228 FOR CHARITY CARE, 3,751,347 FOR MEDICARE, 1,835,229 FOR MEDICAID AND 3,039,746 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2012

4b (Code) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses \$ 9,162,934

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?		No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>		No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>		No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i>		No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i>	Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements.	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34		No
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

Table with columns for question number, question text, and Yes/No columns. Rows include questions 1a through 14b regarding Form 1096, W-2G forms, employee reporting, foreign accounts, prohibited transactions, and charitable trusts.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (10), 1b (9), 2 (Yes), 3 (No), 4 (No), 5 (No), 6 (No), 7a (No), 7b (Yes), 8a (Yes), 8b (Yes), 9 (No).

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (No), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (No), 14 (Yes), 15a (Yes), 15b (No), 16a (No), 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization.

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) MAX LONG PAST CEO	40 00	X		X				194,300	0	19,124
(2) DAVE SHAW CHAIRMAN	1 00	X		X				0	0	0
(3) STEVE SALS KOV VICE CHAIRMA	1 00	X		X				0	0	0
(4) CARLOS BILBAO MEMBER	1 00	X						0	0	0
(5) JAY JENSEN MEMBER	1 00	X						0	0	0
(6) ANITA TAYLOR MEMBER	1 00	X						0	0	0
(7) ROBIN SEBASTIAN MD MEMBER	1 00	X						0	0	0
(8) LAN SMITH MEMBER	1 00	X						0	0	0
(9) EARL DEFUR MEMBER	1 00	X						0	0	0
(10) STAN STURTZ MEMBER	1 00	X						0	0	0
(11) JUDY BARBERA MEMBER	1 00	X						0	0	0
(12) LARRY DROPPERS PAST CFO	40 00			X				130,401	0	15,090
(13) JOHN OLSON CEO	40 00			X				0	0	0
(14) MARY LOU TATE CFO	40 00			X				0	0	0
(15) LAURENCE SCHUERMAN LAB MANAGER	40 00					X		105,502	0	13,845
(16) CHERISH ESTEP PHYSICIAN AS	40 00					X		103,232	0	13,478
(17) PURIE SHANE REGISTERED N	40 00					X		100,584	0	13,366

Part VIII Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d					
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	40,933				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f	40,933				
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	624100	10,781,704	10,781,704		
	b	RENTAL INCOME	621110	12,718	12,718		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		10,794,422			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		96,913		96,913	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a	(i) Real					
		(ii) Personal					
		b	Gross rents				
		c	Less rental expenses				
	d	Net rental income or (loss)					
	7a	(i) Securities					
		(ii) Other					
		b	Gross amount from sales of assets other than inventory	499,905	1,750		
		c	Less cost or other basis and sales expenses	495,228			
	d	Net gain or (loss)	4,677	1,750	6,427	6,427	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19 a					
	b	Less direct expenses b					
c	Net income or (loss) from gaming activities						
10a	a						
	b						
	c						
Miscellaneous Revenue		Business Code					
11a	CAFETERIA	722210	30,617		30,617		
b	ACCOUNTS RECEIVABLE INTEREST	900099	28,988		28,988		
c	OTHER	900099	2,779		2,779		
d	All other revenue						
e	Total. Add lines 11a-11d		62,384				
12	Total revenue. See Instructions		11,001,079	10,794,422		165,724	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22	38	38		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	429,783		429,783	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	3,588,162	2,989,193	598,969	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	173,631	143,949	29,682	
9	Other employee benefits	455,898	354,853	101,045	
10	Payroll taxes	367,018	281,622	85,396	
11	Fees for services (non-employees)				
a	Management				
b	Legal	26,943		26,943	
c	Accounting	68,506		68,506	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	1,386,598	1,169,879	216,719	
12	Advertising and promotion	34,231		34,231	
13	Office expenses	353,274	255,970	97,304	
14	Information technology	13,226	11,866	1,360	
15	Royalties				
16	Occupancy	324,170	255,457	68,713	
17	Travel	20,210	18,834	1,376	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	15,212	9,411	5,801	
20	Interest	1,372	1,372		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	638,333	557,758	80,575	
23	Insurance				
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT EXPENSE	1,350,534	1,350,534		
b	MEDICAL SUPPLIES	1,141,135	1,141,135		
c	OTHER EXPENSE	469,481	383,215	86,266	
d	COMMUNITY EDUCATION	8,284	8,284		
e					
f	All other expenses		229,564	-229,564	
25	Total functional expenses. Add lines 1 through 24f	10,866,039	9,162,934	1,703,105	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	1,160,003	1	475,407
	2 Savings and temporary cash investments	2,641,136	2	2,691,458
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	1,524,605	4	1,672,111
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	330,164	8	378,212
	9 Prepaid expenses and deferred charges	32,330	9	49,895
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	13,705,674		
	b Less accumulated depreciation	7,777,283	10c	5,928,391
	11 Investments—publicly traded securities	3,724,626	11	4,275,423
	12 Investments—other securities See Part IV, line 11		12	
	13 Investments—program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	254,174	15	384,371
16 Total assets. Add lines 1 through 15 (must equal line 34)	15,681,980	16	15,855,268	
Liabilities	17 Accounts payable and accrued expenses	430,726	17	893,241
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	2,882,351	20	2,724,739
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	543,861	25	277,206
	26 Total liabilities. Add lines 17 through 25	3,856,938	26	3,895,186
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	11,236,833	27	11,371,338
	28 Temporarily restricted net assets	588,209	28	588,744
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	11,825,042	33	11,960,082	
34 Total liabilities and net assets/fund balances	15,681,980	34	15,855,268	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	11,001,079
2	Total expenses (must equal Part IX, column (A), line 25)	2	10,866,039
3	Revenue less expenses Subtract line 2 from line 1	3	135,040
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	11,825,042
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	11,960,082

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
2b	Were the organization's financial statements audited by an independent accountant?	Yes	
2c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O		No
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

2011

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number
82-6000422

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1 A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8 A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10 An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
 a Type I b Type II c Type III - Functionally integrated d Type III - Other
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
 (ii) a family member of a person described in (i) above?
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	

16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- 20 Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number 82-6000422

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year.

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year
7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year
8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?
9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- 1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items
b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenues included in Form 990, Part VIII, line 1; (ii) Assets included in Form 990, Part X
2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items: a Revenues included in Form 990, Part VIII, line 1; b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a** Public exhibition
- b** Scholarly research
- c** Preservation for future generations
- d** Loan or exchange programs
- e** Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶
- b** Permanent endowment ▶
- c** Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i)	No
(ii) related organizations	3a(ii)	No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	No

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		48,629		48,629
b Buildings		5,623,804	2,304,889	3,318,915
c Leasehold improvements				
d Equipment		7,882,508	5,472,394	2,410,114
e Other		150,733		150,733
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				5,928,391

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	11,001,079
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	10,866,039
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	135,040
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	135,040

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	9,650,545
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	9,650,545
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,350,534
c	Add lines 4a and 4b	4c	1,350,534
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	11,001,079

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	9,515,505
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	9,515,505
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	1,350,534
c	Add lines 4a and 4b	4c	1,350,534
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	10,866,039

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
RECONCILIATION OF CHANGES - OTHER	SCHEDULE D, PAGE 4, PART XI, LINE 8	BAD DEBT EXPENSE NETTED AGAINST REVENUE - 1,350,534 BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,350,534
REVENUE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XII, LINE 4B	BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,350,534
EXPENSE AMOUNTS INCLUDED ON RETURN - OTHER	SCHEDULE D, PAGE 4, PART XIII, LINE 4B	BAD DEBT EXPENSE NETTED AGAINST REVENUE 1,350,534

**SCHEDULE H
(Form 990)**

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

**Open to Public
Inspection**

Name of the organization

WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

Part I Charity Care and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a charity care policy? If "No," skip to question 6a	Yes	
1b If "Yes," is it a written policy?	Yes	
2 If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year		
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%	Yes	
b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>1.25000</u> %	Yes	
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care		
4 Did the organization's policy provide free or discounted care to the "medically indigent"?	Yes	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b If "Yes," did the organization's charity care expenses exceed the budgeted amount?	Yes	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		No
6a Did the organization prepare a community benefit report during the tax year?		No
6b If "Yes," did the organization make it available to the public?		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			123,403		123,403	1 300 %
b Medicaid (from Worksheet 3, column a)			1,612,998	1,612,998		
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			1,736,401	1,612,998	123,403	1 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			31,151	8,365	22,786	0 240 %
f Health professions education (from Worksheet 5)			375		375	
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			38		38	
j Total Other Benefits			31,564	8,365	23,199	0 240 %
k Total. Add lines 7d and 7j			1,767,965	1,621,363	146,602	1 540 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development	2		2,376		2,376	0.020 %
3 Community support	3		1,071		1,071	0.010 %
4 Environmental improvements	1	100	180		180	
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy	1		2,376		2,376	0.020 %
8 Workforce development						
9 Other	5	2,083	1,475		1,475	0.020 %
10 Total	12	2,183	7,478		7,478	0.070 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes	
2 Enter the amount of the organization's bad debt expense	2		661,762
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	2,358,942
6 Enter Medicare allowable costs of care relating to payments on line 5	6	2,335,586
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7	23,356
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	Yes
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes

Part IV Management Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	WALTER KNOX MEMORIAL HOSPITAL 1202 E LOCUST EMMETT, ID 836172715	X	X			X		X		

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

WALTER KNOX MEMORIAL HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): _____ 1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1 Yes	
<ul style="list-style-type: none"> a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input checked="" type="checkbox"/> Other (describe in Part VI) 		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment <u>20 12</u>		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5 Yes	
<ul style="list-style-type: none"> a <input checked="" type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI) 		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<ul style="list-style-type: none"> a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input checked="" type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI) 		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	No
Financial Assistance Policy		
8 Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8 Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 0%</u> If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

Part V Facility Information *(continued)*

	Yes	No
10 Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>150.0</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	11 Yes	
<ul style="list-style-type: none"> a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI) 		
12 Explained the method for applying for financial assistance?	12 Yes	
13 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	13 Yes	
<ul style="list-style-type: none"> a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI) 		

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14 Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
<ul style="list-style-type: none"> a <input checked="" type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input checked="" type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI) 		
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	16	No
<ul style="list-style-type: none"> a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI) 		
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)		
<ul style="list-style-type: none"> a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI) 		

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
18	Yes	

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

.

If "Yes," explain in Part VI

19		
20		No
21		No

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
 (list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (Describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
EXCLUSIONS FROM PERCENT OF TOTAL EXPENSE	PART I LINE 7 COLUMN F	BAD DEBT EXPENSE INCLUDED ON FORM 990 PART IX LINE 25 COLUMN A OF 1350534 WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN PART I LINE 7 COLUMN F

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	THE HOSPITAL APPLIES THE RATIO OF PATIENT CARE COST TO CHARGES FOR AMOUNTS REPORTED IN THE TABLE TOTAL OPERATING EXPENSES LESS BAD DEBT NONPATIENT CARE ACTIVITIES MEDICAID PROVIDER TAXES TOTAL COMMUNITY BENEFIT AND TOTAL COMMUNITY BUILDING EXPENSES

Identifier	ReturnReference	Explanation
COMMUNITY BUILDING ACTIVITIES	PART II	THE COMMUNITY BUILDING ACTIVITIES DETAILED IN PART II INCLUDES COMMUNITY SUPPORT PROGRAMS LIKE DISASTER READINESS AND MENTORING PROGRAMS IT INCLUDES ECONOMIC DEVELOPMENT FOR COMMUNITY COUNCIL PARTICIPATION AND ENVIRONMENTAL IMPROVEMENTS IT ALSO INCLUDES ESTIMATED COST RELATED TO CAREER DAY AT THE HOSPITAL PRESCHOOL TOURS OF THE HOSPITAL AND DONATED SPACE TO LOCAL COMMUNITY GROUPS COMMUNITY INVOLVEMENT BY THE HOSPITAL PROMOTES HEALTH AWARENESS

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	<p>1 THE HOSPITAL USED THE RATIO OF PATIENT CARE COSTS TO CHARGES TO DETERMINE THE COST OF BAD DEBT EXPENSE 2 BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF IS RECORDED AS A RECOVERY TO BAD DEBT AND OFFSETS THE ALLOWANCE FOR BAD DEBT ON THE BALANCE SHEET 3 THE HOSPITAL DID NOT TRACK THE AMOUNT OF BAD DEBT EXPENSE THAT COULD REASONABLY BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITALS CHARITY CARE POLICY BUT FOR WHOM SUFFICIENT INFORMATION WAS NOT OBTAINED TO MAKE DETERMINATION OF THEIR ELIGIBILITY DURING THE YEAR 4 THE PATIENT ACCOUNTS RECEIVABLE FOOTNOTE OF THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS RECEIVABLES ARISING FROM REVENUE FROM SERVICES TO PATIENTS ARE REDUCED BY ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS AND CONTRACTUAL ADJUSTMENTS BASED ON EXPERIENCE THIRDPARTY CONTRACTUAL REIMBURSEMENT ARRANGEMENTS AND ANY UNUSUAL CIRCUMSTANCES WHICH MAY AFFECT THE ABILITY OF PATIENTS TO MEET THEIR OBLIGATIONS ACCOUNTS DEEMED UNCOLLECTIBLE ARE CHARGED AGAINST THESE ALLOWANCES</p>

Identifier	ReturnReference	Explanation
MEDICARE EXPLANATION	PART III LINE 8	ANY MEDICARE ALLOWABLE COSTS OF PATIENT CARE SHORTFALLS ARE NOT COUNTED AS COMMUNITY BENEFIT THESE ALLOWABLE COSTS ARE OBTAINED FROM THE MEDICARE COST REPORT FOR THE YEAR

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	<p>THE HOSPITAL WILL ASSIST PATIENTS IN MAKING A DETERMINATION REGARDING WHETHER OR NOT THE PATIENT MAY BE ABLE TO QUALIFY FOR SOME FORM OF GOVERNMENTAL PROGRAM WKMH EXPECTS THE PATIENT TO ASSIST IN THIS DETERMINATION AND POTENTIAL APPLICATION PROCESS WHEN IT IS DETERMINED THAT THE PATIENT HAS MINIMAL RESOURCES AND CANNOT QUALIFY FOR ASSISTANCE FROM ONE OF THE PROGRAMS EITHER TOTAL OR PARTIAL CHARITY CAN BE GRANTED HOWEVER IN THE EVENT THAT AN INDIVIDUAL HAS SIGNIFICANT ASSETS THE HOSPITAL MAY SECURE ITS INTEREST IN THOSE ASSETS AS APPROPRIATE FOR PATIENTS WHO SEEK ASSISTANCE UNDER THIS POLICY THE HOSPITAL WILL CHARGE NO MORE THAN THE AMOUNT GENERALLY BILLED TO INDIVIDUALS WITH INSURANCE RECEIVING SUCH CARE THE HOSPITAL WILL NOT UNDERTAKE EXTRAORDINARY COLLECTION ACTIONS EVEN IF OTHERWISE PERMITTED BY LAW AND THIS POLICY AGAINST AN INDIVIDUAL WITHOUT FIRST MAKING REASONABLE EFFORTS TO DETERMINE WHETHER THE INDIVIDUAL IS ELIGIBLE FOR ASSISTANCE UNDER THIS POLICY SUCH EXTRAORDINARY COLLECTION ACTIONS MAY INCLUDE LAWSUITS LIENS OR SIMILAR COLLECTION PROCEDURES SUCH REASONABLE EFFORTS INCLUDE NOTIFICATION OF THE PATIENT BY THE HOSPITAL OF THIS POLICY UPON ADMISSION AND IN WRITTEN AND ORAL COMMUNICATIONS WITH THE PATIENT REGARDING THE PATIENTS BILL INCLUDING INVOICES TELEPHONE CALLS ETC BEFORE COLLECTION ACTION OR REPORTING TO CREDIT RATING AGENCIES IS INITIATED IF APPLICABLE</p>

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	PART VI	THE HOSPITAL AND THE GEM ECONOMIC DEVELOPMENT ASSOCIATION REVIEWED IN DETAIL THE GEM COUNTY HEALTH RANKINGS FROM THE COUNTY HEALTH RANKINGS FROM THE UNIVERSITY OF WISCONSIN AND ROBERT WOODS JOHNSON FOUNDATION AFTER THE REVIEW THE GEM COUNTY HEALTH CONNECTION WAS ESTABLISHED TO REVIEW HEALTH CARE NEEDS IN THE COMMUNITY AND MAKE RECOMMENDATIONS TO APPROPRIATE ENTITIES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	THE HOSPITAL POSTS THE CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSION AREAS AND THE EMERGENCY ROOM LOBBY WHERE PATIENTS ARE LIKELY TO BE PRESENT HOSPITAL STAFF DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS WHERE APPLICABLE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	PART VI	THE CRITICAL ACCESS HOSPITAL IS THE SOLE COMMUNITY PROVIDER FOR HOSPITAL SERVICES IN RURAL GEM COUNTY IDAHO AND ONE OF THE MAJOR EMPLOYERS THE POPULATION OF GEM COUNTY IS 16437 AND IS A RURAL SETTING WITH MANY SMALL FARMS AND ORCHARDS 12 OF THE POPULATION IS BELOW THE POVERTY LEVELS AND 12 OF THE POPULATION IS AGE 65 AND OVER THE COUNTY HAS A 133 UNEMPLOYMENT RATE AND 21 OF ADULTS ARE UNINSURED THE MEDIAN HOUSEHOLD INCOME IS 47561

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	<p>THE HOSPITALS GOVERNING BODY IS COMPRISED OF VOLUNTEER MEMBERS WHO RESIDE IN THE COMMUNITY MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY SURPLUS FUNDS ARE REINVESTED IN FACILITIES TO IMPROVE PATIENT CARE THE HOSPITAL IS ONE OF A FEW CRITICAL ACCESS HOSPITALS IN IDAHO TO OFFER INFUSION THERAPY AND AN ONCOLOGIST THAT SERVES PATIENTS TWO DAYS PER MONTH THE HOSPITAL LEADS A COMMUNITY COMMITTEE WITH THE GOAL OF IMPROVING THE HEALTH OF THE COMMUNITY AND INDIVIDUAL HEALTH THROUGH POLICIES PROGRAMS AND EDUCATION THE MOTTO OF THE COMMITTEE IS WORKING TOGETHER MAKING A DIFFERENCE IN GEM COUNTY THE HOSPITAL ALSO PARTICIPATES IN REFRESH EMMETT A GROUP WITH A GOAL OF PROVIDING FREE PHYSICAL ACTIVITIES AND EVENTS TO ENCOURAGE PARTICIPATION FROM ALL AGES AND COLLABORATE YOUNG AND OLD THE HOSPITAL COORDINATED OVER 300 VOLUNTEERS DURING THE YEAR RELATED TO ACTIVITIES THAT SUPPORTED HEALTH PROMOTION AND WELLNESS ACTIVITIES FIRST AID CARE AND EDUCATION AS THE HEALTH CARE LEADER IN GEM COUNTY THE HOSPITAL HAS LEAD COMMUNITY HEALTH EFFORTS SUCH AS IMMUNIZING THE COMMUNITY AND SCHOOLS AGAINST H1N1 AND DISASTER PREPAREDNESS THE HOSPITAL OFFERS A COMPREHENSIVE LAB TESTING ANUALLY AT A DRASTICALLY REDUCED RATE TO ACCOMMODATE THE UNINSURED AND THE UNDERINSURED</p>

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE INFORMATION	PART VI	NA

Identifier	ReturnReference	Explanation
WALTER KNOX MEMORIAL HOSPITAL LINE NUMBER 1 PART V LINE 3	PART V LINE 3	THE HOSPITAL CONSULTED COMMUNITY LEADERS LOCAL BUSINESSES AND INTERESTED PERSONS REPRESENTING THE COMMUNITY SERVED BY THE HOSPITAL DURING THE MOST RECENT NEEDS ASSESSMENT

Identifier	ReturnReference	Explanation
WALTER KNOX MEMORIAL HOSPITAL LINE NUMBER 1 PART V LINE 7	PART V LINE 7	DURING THE MOST RECENT NEEDS ASSESSMENT THERE WERE SEVERAL NEEDS IDENTIFIED THE HOSPITAL RESPONDED TO AS MANY OF THE NEEDS AS POSSIBLE WITH THE LIMITED STAFF ONHAND THE HOSPITAL WILL CONTINUE TO ASSESS THE NEEDS OF THE COMMUNITY AND RESPOND AS QUICKLY AS POSSIBLE

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

82-6000422

Part I Questions Regarding Compensation

	Yes	No
1a		
1b		
2		
3		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
9		

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- | | |
|--|---|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

a Receive a severance payment or change-of-control payment?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

a The organization?

b Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

a The organization?

b Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) MAX LONG	(i) (ii)	194,300			19,124	213,424		

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
------------	------------------	-------------

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**

▶ **Attach to Form 990. ▶ See separate instructions.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number
82-6000422

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A GEM COUNTY IDAHO	82-6000299	45129UCA0	08-01-2003	4,986,647	HOSPITAL REMODEL		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired				
2 Amount of bonds defeased				
3 Total proceeds of issue	4,986,647			
4 Gross proceeds in reserve funds	500,000			
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrow				
7 Issuance costs from proceeds	212,460			
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds	4,274,187			
11 Other spent proceeds				
12 Other unspent proceeds				
13 Year of substantial completion	2006			
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X		
15 Were the bonds issued as part of an advance refunding issue?		X		
16 Has the final allocation of proceeds been made?	X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X			

Part III Private Business Use

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use?		X						
b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?		X						
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?		X						
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6 Total of lines 4 and 5								
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2 Is the bond issue a variable rate issue?		X						
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was a hedge terminated?								
4a Were gross proceeds invested in a GIC?		X						
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X						
6 Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b. Attach to Form 990 or Form 990-EZ. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization WALTER KNOX MEMORIAL HOSPITAL

Employer identification number 82-6000422

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

Table with 3 main columns: (a) Name of disqualified person, (b) Description of transaction, (c) Corrected? (Yes/No)

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958. 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization.

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

Table with 7 main columns: (a) Name of interested person and purpose, (b) Loan to or from the organization?, (c) Original principal amount, (d) Balance due, (e) In default?, (f) Approved by board or committee?, (g) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

Table with 3 main columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PAM SHAW	MEMBER FAMILY	30,194	COMPENSATION		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
WALTER KNOX MEMORIAL HOSPITAL

Employer identification number

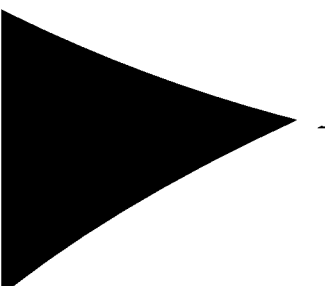
82-6000422

Identifier	Return Reference	Explanation
FIRST ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	OF PROVIDING CARE TO THESE PATIENTS WAS 222,228 FOR CHARITY CARE, 3,751,347 FOR MEDICARE, 1,835,229 FOR MEDICAID AND 3,039,746 FOR OTHER THIRD-PARTY PAYORS FOR THE YEAR ENDED SEPTEMBER 30, 2012
RELATED PARTY INFORMATION AMONG OFFICERS	FORM 990, PAGE 6, PART VI, LINE 2	STAN STURTZ ANITA TAYLOR FAMILY RELATIONSHIP
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	COUNTY COMMISSIONERS MUST APPROVE ANY INDEBTEDNESS IN EXCESS OF ITS ANNUAL BUDGET
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	A COPY OF THE 990 IS PROVIDED TO THE CFO AND CEO WHO REVIEW THE FORM, SCHEDULES AND RELATED ATTACHMENTS ANY COMMENTS OR QUESTIONS ARE ADDRESSED WITH THE PREPARER ONCE MANAGEMENT IS SATISFIED WITH THE 990, THE CEO SIGNS THE FORM 8879-EO AUTHORIZING THE PREPARER TO E-FILE THE RETURN A FINAL 990 IS THEN PRESENTED TO THE BOARD OF DIRECTORS
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	BOARD MEMBERS AND KEY EMPLOYEES ARE REQUIRED TO SIGN AN ANNUAL CONFLICT OF INTEREST FORM THE FORMS ARE REVIEWED BY THE CHAIR OF THE BOARD IF A CONFLICT OF INTEREST INDEED EXISTS, THE INDIVIDUAL MUST REMOVE THEMSELVES FROM THE VOTING AND DISCUSSION
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	CEO COMPENSATION IS REVIEWED BY THE BOARD ON AN ANNUAL BASIS AND DOCUMENTED IN THE BOARD MINUTES THE BOARD USES COMPARABILITY DATA DURING THE REVIEW PROCESS CFO COMPENSATION IS DETERMINED BY THE CEO
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	THE HOSPITAL COMPLIES WITH IDAHO PUBLIC RECORDS LAW AND MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST IN THE ADMINISTRATION OFFICE. ANNUAL FINANCIAL STATEMENTS ARE PUBLISHED IN THE NEWSPAPER

**Walter Knox Memorial Hospital
A Component Unit of
Gem County, Idaho**

Basic Financial Statements
and Independent Auditors' Reports

September 30, 2012 and 2011



Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
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DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Emmett, Idaho

We have audited the accompanying basic financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital) as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. 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 respective financial position of the Hospital as of September 30, 2012 and 2011, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
February 19, 2013

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Balance Sheets
September 30, 2012 and 2011

	2012	2011
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,324,446	\$ 2,007,249
Investments	2,265,439	2,217,122
Receivables		
Patient, net of estimated uncollectibles of approximately \$725,000 and \$640,000, respectively	1,672,111	1,524,605
Estimated third-party pay or settlements	268,000	129,216
Other	9,382	3,328
Assets limited as to use		
Cash and cash equivalents, restricted for debt service	88,744	88,209
Inventories	378,212	330,164
Prepaid expenses	49,895	32,330
Total current assets	6,056,229	6,332,223
<i>Noncurrent assets</i>		
Assets limited as to use		
Cash and cash equivalents, restricted for debt service	500,000	500,000
Cash and cash equivalents, board designated for capital acquisitions	655,304	653,856
Investments, board designated for capital acquisitions	2,608,355	2,059,329
Capital assets, net	5,928,391	6,014,942
Deferred financing costs	106,989	121,630
Total noncurrent assets	9,799,039	9,349,757
Total assets	\$ 15,855,268	\$ 15,681,980

See accompanying notes to basic financial statements

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Balance Sheets (Continued)
September 30, 2012 and 2011

LIABILITIES AND NET ASSETS	2012	2011
<i>Current liabilities</i>		
Current maturities of capital lease obligation	\$ 37,289	\$ -
Current maturities of long-term debt	360,000	335,000
Accounts payable	424,362	79,184
Accrued expenses		
Compensation and related liabilities	440,135	319,169
Interest	28,744	32,373
Estimated third-party pay or settlements	277,206	543,861
Total current liabilities	1,567,736	1,309,587
<i>Noncurrent liabilities</i>		
Capital lease obligation, less current maturities	139,179	-
Long-term debt, less current maturities	2,188,271	2,547,351
Total noncurrent liabilities	2,327,450	2,547,351
Total liabilities	3,895,186	3,856,938
<i>Net assets</i>		
Invested in capital assets, net of related debt	3,281,897	3,221,848
Restricted	588,744	588,209
Unrestricted	8,089,441	8,014,985
Total net assets	11,960,082	11,825,042
Total liabilities and net assets	\$ 15,855,268	\$ 15,681,980

See accompanying notes to basic financial statements

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
<i>Operating revenues</i>		
Net patient revenue, net of provision for bad debts of \$1,350,534 and \$1,080,632, respectively	\$ 9,431,170	\$ 9,325,996
Other	75,102	86,755
Total operating revenues	9,506,272	9,412,751
<i>Operating expenses</i>		
Salaries and wages	3,982,861	3,725,323
Employee benefits	1,031,631	948,140
Professional fees	1,482,047	1,284,768
Supplies	1,204,056	1,290,711
Depreciation and amortization	638,333	555,193
Repairs and maintenance	383,926	342,403
Rent	254,285	184,946
Utilities	140,429	161,676
Other	190,396	162,123
Total operating expenses	9,307,964	8,655,283
<i>Operating income</i>	198,308	757,468
<i>Nonoperating revenues (expenses)</i>		
Investment income	101,590	86,117
Gain (loss) on sale of capital assets	1,750	(8,590)
Grants and contributions	30,933	16,691
Interest expense	(207,541)	(225,241)
Total nonoperating revenues (expenses), net	(73,268)	(131,023)
<i>Excess of revenues over expenses before capital contributions</i>	125,040	626,445
<i>Capital contributions</i>	10,000	5,395
Change in net assets	135,040	631,840
Net assets, beginning of year	11,825,042	11,193,202
Net assets, end of year	\$ 11,960,082	\$ 11,825,042

See accompanying notes to basic financial statements

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 8,878,225	\$ 9,365,331
Other receipts	69,048	112,317
Payments to and on behalf of employees	(4,893,526)	(4,805,096)
Payments to suppliers and contractors	(3,375,574)	(3,612,930)
Net cash provided by operating activities	678,173	1,059,622
<i>Cash flows from noncapital financing activities</i>		
Receipt of contributions and grants	30,933	16,691
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt	(334,080)	(314,137)
Principal payments on capital lease obligation	(15,343)	-
Interest paid on long-term debt	(196,529)	(214,788)
Purchase of capital assets	(359,971)	(625,254)
Receipt of capital contributions	10,000	5,395
Proceeds from sale of capital assets	1,750	8,092
Net cash used in capital and related financing activities	(894,173)	(1,140,692)
<i>Cash flows from investing activities</i>		
Purchase of investments	(601,352)	(242,116)
Proceeds from sale of investments	4,009	28,093
Investment income received	101,590	86,117
Net cash used in investing activities	(495,753)	(127,906)
Net decrease in cash and cash equivalents	(680,820)	(192,285)
Cash and cash equivalents, beginning of year	3,249,314	3,441,599
Cash and cash equivalents, end of year	\$ 2,568,494	\$ 3,249,314

See accompanying notes to basic financial statements

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Statements of Cash Flows (Continued)
Years Ended September 30, 2012 and 2011

	2012	2011
<i>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</i>		
Cash and cash equivalents	\$ 1,324,446	\$ 2,007,249
Cash and cash equivalents, restricted for debt service, current	88,744	88,209
Cash and cash equivalents, restricted for debt service, noncurrent	500,000	500,000
Cash and cash equivalents, board designated for capital acquisitions	655,304	653,856
Total cash and cash equivalents	\$ 2,568,494	\$ 3,249,314
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
Operating income	\$ 198,308	\$ 757,468
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	638,333	555,193
Provision for bad debts	1,350,534	1,080,632
Decrease (increase) in assets		
Receivables		
Patient accounts	(1,498,040)	(1,442,129)
Estimated third-party pay or settlements	(138,784)	(68,028)
Other	(6,054)	25,562
Inventories	(48,048)	(34,200)
Prepaid expenses	(17,565)	13,047
Increase (decrease) in liabilities		
Accounts payable	345,178	(165,150)
Accrued compensation and related liabilities	120,966	(131,633)
Estimated third-party pay or settlements	(266,655)	468,860
Total adjustments	479,865	302,154
Net cash provided by operating activities	\$ 678,173	\$ 1,059,622

Noncash Investing, Capital, and Financing Activities

- During 2012 the Hospital entered into a capital lease obligation of \$191,811 for pharmacy equipment

See accompanying notes to basic financial statements.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements
Years Ended September 30, 2012 and 2011

1. Description of Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Walter Knox Memorial Hospital (the Hospital) operates a 16-bed acute care hospital and physician clinics in Emmett, Idaho. The Board of County Commissioners of Gem County, Idaho (the County) appoints the Hospital Board of Directors, and the Hospital may not issue debt or levy taxes without the County's approval. For this reason, the Hospital is considered to be a component unit of Gem County, Idaho. As organized, the Hospital is exempt from federal and state income taxes.

b. Summary of Significant Accounting Policies

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Assets limited as to use – Assets limited as to use include assets set aside by the Board of Directors for operations and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities or for operations are reported in current assets.

Investments – Investments are stated at fair value as determined by quoted market prices.

Patient accounts receivable – Receivables arising from patient service revenues are reduced by an allowance for uncollectible accounts and contractual adjustments, based on experience, third-party contractual arrangement, and any unusual circumstances which affect the ability of patients to meet their obligations. Accounts deemed uncollectible are charged against this allowance.

Inventories – Inventories are stated at cost using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

Deferred financing costs – Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line interest method.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Capital assets – Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements.

The estimated useful lives of capital assets are as follows:

Land improvements	5 to 20 years
Building and fixed equipment	5 to 40 years
Major movable equipment	3 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from expenses in excess of revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Compensated absences – The Hospital's employees earn paid time off (PTO) at varying rates depending on years of service. Employees are allowed to accrue PTO up to a maximum amount. Employees with less than five years of service are allowed to accrue a maximum of 240 hours. Employees with more than five years and less than 14 years of service are allowed to accrue a maximum of 280 hours. Employees with more than 14 years of service are allowed to accrue a maximum of 320 hours.

Accrued PTO up to 40 hours per year can be sold back to the Hospital on the employee's anniversary date if the employee has at least 80 hours accrued and has taken at least 40 hours of PTO during the preceding year. Unused PTO is paid upon termination of employment.

The Hospital has an extended sick leave bank (ESL) policy which incorporates leave for disability caused by illness or injury. All employees working more than 20 hours per week accrue 0.346 ESL hours per hour worked until a maximum of 520 ESL hours is reached. Employees that have been employed at the Hospital for more than 10 years are eligible to receive 25% of the accrued ESL hours upon termination.

PTO is accrued when earned. ESL is expensed when taken except for employees who are eligible for an ESL payout upon termination. The ESL amounts eligible for payout upon termination are expensed when earned.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Net assets – Net assets of the Hospital are classified into three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital including amounts deposited with Trustees as required by bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted net assets*.

Restricted resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program it is Hospital policy to use restricted resources before unrestricted resources.

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

Net patient revenue – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fees schedule and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and contributions – From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for a specific project or purpose related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue.

Subsequent events – Subsequent events have been reviewed through February 19, 2013, the date on which the financial statements were available to be issued.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

2. Net Patient Revenue:

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

- *Medicare* – The Hospital is licensed as a critical access hospital (CAH). The Hospital is paid for most inpatient, swing bed, and outpatient services on a cost reimbursement method. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital subject to audits thereof by the Medicare intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. Physician services are reimbursed on a fee schedule.
- *Medicaid* – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined by the Medicaid program based on the Hospital's final Medicare cost report. Physician services are reimbursed on a fee schedule.

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

Revenue from Medicare and Medicaid programs accounted for approximately 30% and 17%, respectively, of the Hospital's net patient revenue for the year ended September 30, 2012, and 33% and 15%, respectively, of the Hospital's net patient revenue for the year ended September 30, 2011.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient revenue decreased by approximately \$85,000 in 2012 and increased by approximately \$440,000 in 2011, due to differences between original estimates and final settlements or revised estimates.

The Hospital provides charity care to patients who are financially unable to pay for the health care services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenue or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended September 30, 2012 and 2011, were approximately \$109,000 and \$147,000, respectively.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

2. Net Patient Revenue (continued):

The Hospital's net patient revenue is comprised of the following

	Years Ended September 30,	
	2012	2011
<i>Gross patient service revenue</i>	\$ 19,293,348	\$ 18,584,026
Less charity care	222,228	318,334
	19,071,120	18,265,692
<i>Contractual adjustments</i>		
Medicare	3,751,347	3,185,160
Medicaid	1,835,229	2,218,406
Other	3,039,746	2,601,694
<i>Provision for bad debts</i>	1,350,534	1,080,632
<i>Disproportionate share programs</i>	(336,906)	(146,196)
	9,639,950	8,939,696
Net patient revenue	\$ 9,431,170	\$ 9,325,996

3. Bank Deposits and Investments:

Custodial credit risk is the risk that in the event of a depository institution failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As of September 30, 2012 and 2011, the Hospital had uninsured and uncollateralized deposit balances of approximately \$338,000 for each year.

Through a "Cash Management Sweep Account and Automatic Daily Repurchase Agreement" with Key Bank National Association, the Hospital invests idle cash in uninsured repurchase agreements. The repurchase agreement is fully collateralized with an undivided, fractional interest in obligations of, or obligations that are fully guaranteed by, the United States government or any agency thereof. Title to the securities is vested in the bank. The bank repurchases the undivided, fractional interest from the Hospital on the next banking day. As of September 30, 2012 and 2011, the Hospital had \$275,500 and \$1,050,000, respectively, in repurchase agreements.

The Hospital voluntarily invests funds in the Local Government Investment Pool (the Pool), administered by the Idaho State Treasurer (the State Treasurer). Collateral for the funds invested in the Pool are held by the state of Idaho, not in the Hospital's name. The funds invested in the Pool are available for immediate use by the Hospital. The Pool is not externally rated. As of September 30, 2012 and 2011, the Hospital had deposits with the Pool, collateralized by securities held by the Pool but not in the Hospital's name, of \$1,504,056 and \$1,501,102, respectively. The Hospital has recorded their investment in the Pool as a cash and cash equivalent.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

3. Bank Deposits and Investments (continued):

Idaho Code, Title 67, Chapter 12 provides authorization for investment of pooled funds in the following general types

- 1 Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local governmental entities
- 2 Time deposit accounts, tax anticipation, and interest-bearing notes
- 3 Bonds, treasury bills, interest-bearing notes, or other similar obligations of the United States Government and the Farm Credit System
- 4 Repurchase agreements

Interest rate risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State statutes limit investments in bonds, debentures, or notes of any corporation to be rated “A” or higher by nationally recognized statistical rating organizations.

The Hospital’s investments at September 30, 2012, included

	2012						Investment Ratings
	Fair Value	Investment Maturities (in Years)					
		Less Than One	One to Five	Six to Ten	More than Ten		
Money Markets	\$ 281,563	\$ 281,563	\$ -	\$ -	\$ -	Not applicable	
Certificates of Deposit	316,808	-	61,622	255,186	-	Not applicable	
U.S. Government Bonds	4,275,423	-	-	1,625,028	2,650,395	AA+	
Total investments	\$ 4,873,794	\$ 281,563	\$ 61,622	\$ 1,880,214	\$ 2,650,395		

The Hospital’s investments at September 30, 2011, included

	2011						Investment Ratings
	Carrying Value	Investment Maturities (in Years)					
		Less Than One	One to Five	Six to Ten	More than Ten		
Money Markets	\$ 39,198	\$ 39,198	\$ -	\$ -	\$ -	Not applicable	
Certificates of Deposit	512,627	-	60,174	452,453	-	Not applicable	
U.S. Treasury Securities	120,394	-	-	120,394	-	AA+	
U.S. Government Bonds	3,604,232	-	-	1,163,130	2,441,102	AA+	
Total investments	\$ 4,276,451	\$ 39,198	\$ 60,174	\$ 1,735,977	\$ 2,441,102		

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

4. Patient Accounts Receivable:

Patient accounts receivable reported as current assets by the Hospital at September 30, 2012 and 2011, consisted of these amounts

	2012	2011
Receivables from patients and their insurance carriers	\$ 1,927,611	\$ 1,798,009
Receivables from Medicare	265,979	278,688
Receivables from Medicaid	203,425	87,241
Total patient accounts receivable	2,397,015	2,163,938
Less allowance for uncollectible amounts	724,904	639,333
Patient accounts receivable, net	\$ 1,672,111	\$ 1,524,605

5. Capital Assets:

Capital asset activities for the year ended September 30, 2012, were as follows

	Balance September 30, 2011	Additions	Retirements	Transfers	Balance September 30, 2012
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	11,385	139,348	-	-	150,733
Total capital assets not being depreciated	60,014	139,348	-	-	199,362
<i>Capital assets being depreciated</i>					
Land improvements	612,224	5,425	-	-	617,649
Building and fixed equipment	8,337,449	132,162	-	-	8,469,611
Major movable equipment	4,155,381	274,847	(11,176)	-	4,419,052
Total capital assets being depreciated	13,105,054	412,434	(11,176)	-	13,506,312
<i>Less accumulated depreciation for</i>					
Land improvements	316,631	35,480	-	-	352,111
Building and fixed equipment	3,721,277	297,280	-	-	4,018,557
Major movable equipment	3,112,218	305,573	(11,176)	-	3,406,615
Total accumulated depreciation	7,150,126	638,333	(11,176)	-	7,777,283
<i>Total capital assets being depreciated net</i>	5,954,928	(225,899)	-	-	5,729,029
Capital assets, net	\$ 6,014,942	\$ (86,551)	\$ -	\$ -	\$ 5,928,391

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

5. Capital Assets (continued):

Capital asset activities for the year ended September 30, 2011, were as follows

	Balance September 30, 2010	Additions	Retirements	Transfers	Balance September 30, 2011
<i>Capital assets not being depreciated</i>					
Land	\$ 48,629	\$ -	\$ -	\$ -	\$ 48,629
Construction in progress	74,050	-	-	(62,665)	11,385
Total capital assets not being depreciated	122,679	-	-	(62,665)	60,014
<i>Capital assets being depreciated</i>					
Land improvements	600,515	11,709	-	-	612,224
Building and fixed equipment	8,337,449	-	-	-	8,337,449
Major movable equipment	4,193,306	613,545	(714,135)	62,665	4,155,381
Total capital assets being depreciated	13,131,270	625,254	(714,135)	62,665	13,105,054
<i>Less accumulated depreciation for</i>					
Land improvements	281,952	34,679	-	-	316,631
Building and fixed equipment	3,423,480	297,797	-	-	3,721,277
Major movable equipment	3,586,954	222,717	(697,453)	-	3,112,218
Total accumulated depreciation	7,292,386	555,193	(697,453)	-	7,150,126
<i>Total capital assets being depreciated net</i>	5,838,884	70,061	(16,682)	62,665	5,954,928
Capital assets, net	\$ 5,961,563	\$ 70,061	\$ (16,682)	\$ -	\$ 6,014,942

Construction in progress at September 30, 2012, consisted of costs relating to electronic health records software and hardware. It is expected to be placed in service in 2013. The expected cost to complete the project remaining at September 30, 2012, was approximately \$130,000.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

6. Long-term Debt and Other Noncurrent Liabilities:

A schedule of changes in the Hospital's noncurrent liabilities for the years ended September 30, 2012 and 2011, were as follows

	Balance September 30,			Balance September 30,	Amounts Due Within
	2011	Additions	Reductions	2012	One Year
<i>Long-term debt</i>					
Revenue bonds	\$ 2,890,000	\$ -	\$ (335,000)	\$ 2,555,000	\$ 360,000
Bond premium and discounts	(7,649)	-	920	(6,729)	-
Total long-term debt	2,882,351	-	(334,080)	2,548,271	360,000
<i>Capital lease obligation</i>					
	-	191,811	(15,343)	176,468	37,289
Total noncurrent liabilities	\$ 2,882,351	\$ 191,811	\$ (349,423)	\$ 2,724,739	\$ 397,289

	Balance September 30,			Balance September 30,	Amounts Due Within
	2010	Additions	Reductions	2011	One Year
<i>Long-term debt</i>					
Revenue bonds	\$ 3,205,000	\$ -	\$ (315,000)	\$ 2,890,000	\$ 335,000
Bond premium and discounts	(8,512)	-	863	(7,649)	-
Total long-term debt	3,196,488	-	(314,137)	2,882,351	335,000
Total noncurrent liabilities	\$ 3,196,488	\$ -	\$ (314,137)	\$ 2,882,351	\$ 335,000

Long-term debt – A revenue bond was issued by the Bank of New York Mellon Trust Company, N A, dated August 1, 2003, in the amount of \$5,000,000 under a lease with the Idaho Health Facilities Authority (IHFA), used to remodel a new hospital building, due in monthly installments of \$360,000 to \$500,000 and interest rate of 6.75%

Under the terms of the revenue bond, the County and the Hospital lease substantially all of the Hospital facilities and equipment to IHFA. IHFA in turn subleases the facilities and equipment back to the County and Hospital. The Hospital is required to maintain certain deposits in a bond reserve fund. Such deposits are included with restricted cash and cash equivalents in the balance sheets.

The Hospital's loan from IHFA includes financial covenants that must be complied with as a condition of the loan. The Hospital was in compliance with the covenants contained within the loan agreement at September 30, 2012.

Capital lease obligation – The Hospital entered into a capital lease obligation in March 2012, with CareFusion Solutions, LLC, in the original amount of \$191,811, due in monthly installments of \$3,343, including interest at 1.8% through April 2017, collateralized by pharmacy equipment.

The capital lease obligation is reflected in the District's assets and liabilities. The assets acquired under the capital lease had a capitalized cost of \$191,811 and accumulated amortization of \$15,984 as of September 30, 2012. Amortization expenses are included in depreciation expense on the statements of revenues, expenses, and changes in net assets.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Notes to Basic Financial Statements (Continued)
Years Ended September 30, 2012 and 2011

6. Long-term Debt and Other Noncurrent Liabilities (continued):

Scheduled principal and interest repayments are as follows

Years Ending September 30,	Long-term Debt			Capital Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 360,000	\$ 172,463	\$ 532,463	\$ 37,289	\$ 2,827	\$ 40,116
2014	385,000	148,163	533,163	37,956	2,160	40,116
2015	410,000	122,175	532,175	38,634	1,482	40,116
2016	435,000	94,500	529,500	39,325	791	40,116
2017	465,000	65,138	530,138	23,264	138	23,402
2018	500,000	33,750	533,750	-	-	-
	\$ 2,555,000	\$ 636,189	\$ 3,191,189	\$ 176,468	\$ 7,398	\$ 183,866

7. Defined Contribution Plan:

The Hospital provides employees with a defined contribution pension plan. The Walter Knox Memorial Retirement Plan (the Plan) covers employees upon one year of continuous employment and at least 1,000 hours of service. The Plan is administered by the Hospital. The Hospital will make a contribution each pay period for each active participant in an amount equal to 6% of the employees' compensation for the pay period. Hospital contributions to this plan were approximately \$192,000 and \$201,000, for the years ended September 30, 2012 and 2011, respectively. Employee contributions to this plan were approximately \$188,000 and \$204,000 for the years ended September 30, 2012 and 2011, respectively.

8. Risk Management and Contingencies:

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, and employee health, accident, and unemployment benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Medical malpractice claims – The Hospital has professional liability insurance with Lexington Insurance Company. The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

Walter Knox Memorial Hospital
 A Component Unit of Gem County, Idaho
 Notes to Basic Financial Statements (Continued)
 Years Ended September 30, 2012 and 2011

8. Risk Management and Contingencies (continued):

Industry regulations – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or asserted at this time. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Health care reform – As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States of America's health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of the health insurers, providers, and employers. The provisions are currently slated to take effect at specified times over approximately the next decade. The federal health care reform legislation does not affect the 2012 financial statements.

Litigation – The Hospital is occasionally involved in litigation arising in the course of business. Management estimates that these matters will be resolved without a material adverse effect on the Hospital's future financial position or results of operations.

9. Concentration of Risks:

Receivables – The Hospital grants credit without collateral to its patients and residents, most of who are local residents and are insured under third-party agreements. The majority of these patients are geographically concentrated in and around Gem County.

The mix of receivables at September 30, 2012 and 2011, was as follows:

	2012	2011
Medicare	23 %	18 %
Medicaid	13	11
Blue Cross	5	15
Other third-party payors	26	27
Patients	33	29
	100 %	100 %

Physicians – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Board of Directors
Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Emmett, Idaho

We have audited the basic financial statements of Walter Knox Memorial Hospital, a component unit of Gem County, Idaho (the Hospital), as of and for the year ended September 30, 2012, and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, items 2012-01 and 2011-01, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, item 2010-03, to be a significant deficiency.

Compliance and Other Matters

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

We noted other matters that we reported to management of the Hospital in a separate letter dated February 19, 2013.

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commissioners, the Board of Directors, and management of the Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
February 19, 2013

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Schedule of Findings and Responses
Year Ended September 30, 2012

2012-01 Journal Entries

<i>Condition</i>	There is currently no evidence of review of the manual journal entries that are being posted by the Chief Financial Officer
<i>Criteria</i>	<p>[] Compliance Finding [] Significant Deficiency [X] Material Weakness</p> <p>To help minimize the risk of error or fraud to the Hospital, there should be an individual responsible for reviewing the manual journal entries. This individual should not be able to post entries. When the journal entries are reviewed, the responsible person should document their review and approval.</p>
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	There are no policies and procedures regarding the preparation and review of manual journal entries.
<i>Effect</i>	Errors, whether intentional or accidental, will not be detected. These errors could cause the financial information to be incorrect and, in the case of intentional errors, allow for fraudulent activities to be concealed.
<i>Recommendation</i>	Policies and procedures should be created that define personnel responsible for generating, posting, and approving manual journal entries in the Hospital's general ledger and for the retention of supporting documentation. The Chief Executive Officer (CEO) should review all entries and have no access to the general ledger. All journal entries should have evidence of the CEO's review.
<i>Management's Response</i>	The Hospital hired a new CFO at the end of September 2012. The new CFO has the CEO review and sign-off on all journal entries.

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Schedule of Findings and Responses (Continued)
Year Ended September 30, 2012

2011-01 Policies and Procedures

<i>Condition</i>	Written policies and procedures should be maintained for all major critical transaction cycles and financial statement preparation
<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness Policies and procedures for the accounts receivable, accounts payable, payroll, and financial statement preparation processes are outdated or nonexistent
<i>Context</i>	This finding appears to be a <i>systemic</i> problem
<i>Cause</i>	Management has not developed policies and procedures due to limited staffing
<i>Effect</i>	Written policies and procedures allow for the Hospital to document how a process or job function should be completed. They provide structure for new personnel learning how to properly perform their job responsibilities, facilitate cross training, and allow a department to analyze its processes to ensure the current process is the best practice
<i>Recommendation</i>	We recommend department managers develop and implement formal policies and procedures. Further, these policies should be reviewed and updated annually to ensure they are accurate, current, and complete
<i>Management's Response</i>	The Hospital is in the process of reviewing deficiencies in Policies and Procedures and will be developing new ones during this next fiscal year

Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Schedule of Findings and Responses (Continued)
Year Ended September 30, 2012

2010-03 Segregation of Duties

<i>Condition</i>	The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. The most significant areas noted with a lack of controls related to controls over the adjustments to accounts receivable and access to the cash. One individual opens and sorts the mail, prepares the cash deposits, and has the ability to make adjustments to patient accounts. In addition, adjustments made to patient accounts are not being reviewed.
<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input checked="" type="checkbox"/> Significant Deficiency <input type="checkbox"/> Material Weakness Internal control procedures over financial reporting and reporting systems help to ensure funds are properly safeguarded. Segregation of duties reduces the risk that a single employee could conduct inappropriate or illegal activities, conceal such activities, and not be discovered. One individual should not have access to receipts and patient accounts.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	One employee has been assigned incompatible duties and responsibilities. In addition, there is no policy in place for proper review and approval of adjustments made to accounts receivable.
<i>Effect</i>	There is a potential fraud risk that this person could misappropriate cash receipts by eliminating the accounts from the system or by adjusting the patient accounts to a zero balance without detection.
<i>Recommendation</i>	We recommend the person who sorts the mail does not open the mail, prepare the deposit, or have access to patient accounts. In addition, any adjustments that are made to patient accounts should be reviewed.
<i>Management's Response</i>	Some segregation has already been addressed. The personnel who prepare the cash deposit do not have access to post payments or adjustments to patient accounts. A process is being developed to identify a way to track adjustments to patient accounts.

**Walter Knox Memorial Hospital
A Component Unit of Gem County, Idaho
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012**

2011-01 – Policies and Procedures – Repeated

2010-01 – Auditor preparation of the financial statements – Resolved

2010-03 – Segregation of accounting duties – Repeated