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January 9, 2015

Board of Directors
Columbus Regional Hospital
2400 E. 17th Street
Columbus, IN 47201

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Columbus Regional Hospital, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Auditor's Report and Financial Statements

December 31, 2013 and 2012

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
December 31, 2013 and 2012

Contents

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited the accompanying basic financial statements of the Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, which comprise balance sheets as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Columbus Regional Hospital as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the current year the Hospital changed its method of accounting for debt issuance costs as a result of adopting Governmental Accounting Standards Board Statement No. 65, which has been applied retroactively. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Indianapolis, Indiana
May 27, 2014

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2013
(Unaudited)

Introduction

Columbus Regional Hospital (CRH or Hospital) is a leading, not-for-profit provider of quality health care services in Columbus, Indiana, serving a ten county region in southeastern Indiana. CRH's commitment to serving the community and being at the forefront of quality patient care is nationally recognized, as noted with numerous recognitions over the recent years including American Hospital Association's Quest for Quality Prize, Top 100 Community Hospitals by Becker's Hospital Review, Thomson Reuters 100 Top Hospitals, US News & World Report's top hospitals in Indiana and Modern Healthcare's 100 Best Places to Work in Healthcare.

The Hospital also operates four long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. In addition, the Hospital is the party to several joint venture activities, which are generally accounted for under the equity method. The following statistics represent the activity and achievements of the hospital alone.

CRH has one of the highest home county market shares in the state, and the Hospital's ten-county market share is the largest of any hospital serving the region that is situated between Indianapolis, Louisville and Cincinnati. CRH is a county-owned hospital licensed for 325 beds and operating 198 beds.

CRH provides emergency and surgical services and comprehensive care in numerous specialty areas. The Hospital has approximately 1,536 employees, 225 physicians on medical staff and 250 volunteers.

CRH has provided services to the following number of patients over the past three years:

Year	Inpatients	Outpatients	Total
2013	8,949	222,317	231,266
2012	9,359	236,771	246,130
2011	8,990	234,514	243,504

While the healthcare industry continues to be challenged with Affordable Care Act implications, CRH is actively planning and moving forward with exciting new initiatives. As the health leaders in our community and region, we are establishing the best course for our future that provides our patients with the very best care and service at the best value.

Business Strategy - Balanced Scorecard Approach

CRH uses the balanced scorecard methodology to measure our performance in five key pillar areas: People; Service; Quality & Safety; Growth & Innovation; and Financial Performance. All are important measures, as CRH must balance the various indicators to ensure high quality patient care as we work towards our mission, *"To improve the health and well being of the people we serve."*

People

CRH recognizes the strategic importance of having a committed and satisfied workforce, and works to recruit and retain high performing staff. Employee retention rates at CRH are better than industry average, as are rates for registered nurse retention.

- One of our core values is "Value Our Workforce" and our emphasis on physician engagement and employee engagement is incorporated into numerous initiatives across the year. Our efforts resulted in these successes in 2013:
    - Employee engagement is in the top 20% as compared to other hospitals across the country.
    - Physician satisfaction with the overall hospital remained at the 69th percentile again for 2013, but great progress was made in key categories, including Communication with Administration moving to the 85th percentile and satisfaction with nursing at the 66th percentile, a positive improvement from the prior year.
- We continue to focus on employee wellness through our Healthy Me program with incentives, health assessments and ongoing education opportunities. Over 1,200 employees and spouses participated in the annual wellness assessment screening. We opened a new "Fit Tank" fitness area in the hospital basement, to provide employees with a free option to use exercise equipment during their own time. Over 300 people have signed up for the fitness use.
- Our All Workforce Event was held for the third year as the way we are able to invest in our entire workforce to reinforce customer satisfaction best practices.
- Our volunteers are important members of our extended workforce and graciously donate their time to support the mission of the hospital. Columbus Regional Hospital volunteers donated 24,800 hours to CRH in 2013.

Service Excellence

We made great strides and progress in 2013 across all of our six main clinical service areas that resulted in strong patient and family experience levels.

- All areas scored in the "green" on the hospital scorecard for year-end results, with percentile rankings strong compared to other hospitals across the country:
    - Rehabilitation - 95th percentile, strong performance at same level as 2012
    - Mental Health - 89th percentile, improved from 83rd percentile in 2012
    - Outpatient Services - 77th percentile, improved from 71st percentile
    - Emergency Department - 74th percentile, improved from 25th percentile
    - HCAHPS Inpatient - 72nd percentile, improved from 47th percentile
    - Ambulatory Surgery - 66th percentile, improved from 37th percentile
- The Emergency Department had the highest jump in patient satisfaction in 2013, moving from the lowest quartile in 2012, to nearly the highest quartile in 2013. Physician and department leadership has focused on several initiatives across the department, and the experience is noticeably different for patients and visitors.
- The Hospital Scorecard target was made more challenging in 2012 with now a single goal for all service areas, versus each service area weighted individually. We continued the same methodology in 2013 to ensure service excellence is consistent across all areas of the hospital.

We were also honored to receive in 2013:

- Emergency Department Patient Care Award by the Studer Group, a national leader in patient experience and satisfaction.
- Leader in Healthcare Equality recognition by the Human Rights Campaign Foundation. CRH is one of just three Indiana hospitals and 464 healthcare facilities nationwide recognized for non-discrimination policies for lesbian, gay, bisexual and transgender (LGBT) patients and employees.

Quality and Safety Performance

Patient safety and quality are always the highest priority for CRH and our work is recognized by some of these most recent accomplishments:

- Our overall 30-day readmission rate remains lower than the CMS national database for key areas as pneumonia, heart attack, and heart failure.
- Our Surgery Co-Management model with our surgeons, anesthesiologists, OB/GYN's, gastroenterologists, pulmonologists and other specialties further integrated in 2013 as progress was made around common goals and objectives.

We are also honored to receive in 2013:

- Accredited Heart Failure Center for our Heart & Vascular Center by the Healthcare Accreditation Colloquium.
- National Chest Pain Accreditation with PCI by the Society of Cardiovascular Patient Care for our Heart & Vascular Center
- Breast Imaging Center of Excellence for our Breast Health Center by the American College of Radiology (ACR).
- Outcomes Excellence Award for outpatient rehabilitation by Focus on Therapeutic Outcomes, Inc. CRH's outpatient rehabilitation centers are ranked in the top 10% in the country for patient functional improvement.

Focus on Growth and Innovation

Innovation is one of our core values in how we are making healthcare better and serving as a benchmark regional hospital. Our work with Lean and Six Sigma performance improvement tools is nationally recognized, as those are leveraged in process standardization projects to achieve better value for our patients. We are using a new design thinking approach for our process improvement projects through our partnership with IDEO, an international innovation and design leader for organizations. Our Innovation Center and Simulation Lab serve as a catalyst for bringing innovative approaches to our everyday work.

CRH is committed to using the latest technology and innovation to improve patient safety and outcomes. Some other examples of innovation and growth at CRH include:

- Our Master Plan and building expansion program was approved in December 2013, to begin steps into 2014 for a new loading dock, new emergency department and expanded Cancer Center.
- CRH opened a new Endoscopy Center within the main hospital in early 2013, with more streamlined processes for endoscopy and colonoscopy patients. Volume growth has been strong since the new center opened.

- The new WellConnect center in downtown Columbus opened in December 2013, to offer a new way to experience health and wellness. The center includes a Care Center, wellness and health education classes, and Connection Specialists, a new role for CRH to provide resources to answer questions about health and wellness and navigate people to appropriate contacts for health needs.
- Our Heart & Vascular Center continued with strong volume and profitable growth, thanks to our partnership with IU Health Cardiovascular and Southern Indiana Heart & Vascular. Two new interventional cardiologists started in 2013 to provide further growth to this service center.
- We have Growth Teams leading activities to support key profitable growth services in these areas: Cardiac, Orthopedic, Endoscopy/Digestive, Cancer and Robotic/Surgical. The Growth Teams work across operations, physicians, business development, marketing and others to drive growth targets.
- Physician recruitment saw a higher number of new physicians than in recent years, with the addition of 13 new physicians on the medical staff including key areas of interventional cardiology, orthopedics and primary care.
- Columbus Regional Hospital was the first facility in Indiana and the only hospital in the Midwest to use a new procedure to treat lung cancer. TruFreeze Spray Cryotherapy uses liquid nitrogen to freeze tissue and cause cell death.
- Integration continued in 2013 of the new electronic medical record system that CRH implemented in 2012. This system is the core technological foundation needed to allow us to better align information across physician practices, outpatient locations and the hospital. We move forward with providing patients direct access to their health information through a patient portal in 2014.
- The framework of a clinically integrated health network was finalized in 2013 as a new organization was created with Schneck Medical Center, called inSPIRE Health Partners. We adapted the concepts of an accountable care organization into a model that will best work in southern Indiana. CRH is a founding member, with other hospitals to perhaps join the organization in the coming year.
- Our work continues with Cummins to work closely with them on their plans to develop a new employee health center for their southern Indiana workforce. Plans are being designed in 2014, with Cummins' anticipated opening in 2016.

We were also honored to receive in 2013:

- US News & World Report ranked CRH 7th in Indiana (out of 167 Indiana hospitals) for best hospitals. CRH was also recognized as one of America's high-performing hospitals in the following areas: Gastroenterology & GI, Surgery, Geriatrics Neurology & Neurosurgery, Orthopedics and Pulmonology.
- Best Mobile Website Communications national web award for Planning & Marketing team by e-Healthcare Leadership Awards.

Focus on Finance

Columbus Regional Hospital's financial performance and activities for the year ended December 31, 2013 produced solid financial results allowing for the achievement of scorecard financial targets and favorable financial indicator benchmarking.

The accompanying financial statements present certain information with respect to the Hospital's financial position, results of operations and cash flows, which should be read in conjunction with the following discussion and analysis, along with the accompanying financial statements and notes. The financial statements and following discussion and analysis encompasses all of the hospital operations, including long-term care facilities. Selected financial and statistical data, as of and for the years ended December 31, are shown below:

Selected Financial Data and Statistics
(Dollars in Thousands)

	2013		2012		2011	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Summary of Operations						
Revenues	$ 263,054	100.0%	$ 233,046	100.0%	$ 195,403	100.0%
Salaries and benefits	88,753	33.7%	102,401	43.9%	94,233	48.2%
Supplies and drugs	38,129	14.5%	36,190	15.5%	33,108	16.9%
Purchased services and other operating expenses	106,362	40.4%	67,024	28.8%	42,317	21.7%
Depreciation and amortization	18,278	6.9%	19,101	8.2%	17,604	9.0%
Total expenses	251,522	95.6%	224,716	96.4%	187,262	95.8%
Income from operations	11,532	4.4%	8,330	3.6%	8,141	4.2%
Nonoperating income (expense), net	3,918	1.5%	8,071	3.5%	(2,094)	-1.1%
Capital grants	-	0.0%	587	0.3%	7,313	3.7%
Special items	(251)	-0.1%	(5,741)	-2.5%	-	0.0%
Increase in net position	$ 15,199	5.8%	$ 11,247	4.8%	$ 13,360	6.8%
Cash Flow Data						
Cash provided by operating activities	$ 39,305		$ 19,041		$ 27,517	
Cash used in noncapital activities	(5,030)		(2,806)		(2,745)	
Cash used in financing activities	(19,926)		(32,368)		(21,939)	
Cash provided by (used in) investing activities	1,470		9,763		(7,333)	
Financial Position						
Current assets	$ 84,917		$ 75,536		$ 65,316	
Capital assets, net	122,925		130,538		130,958	
Other noncurrent assets and deferred outflows of resources	150,221		140,063		135,335	
Total assets and deferred outflows of resources	$ 358,063		$ 346,137		$ 331,609	
Long-term debt, including current portion	$ 47,641		$ 52,206		$ 55,049	
Other liabilities	45,409		44,117		36,839	
Total liabilities	$ 93,050		$ 96,323		$ 91,888	
Unrestricted net position	$ 187,903		$ 169,613		$ 161,893	
Net investment in capital assets	75,285		78,332		75,909	
Restricted net position	1,825		1,869		1,919	
Total net position	$ 265,013		$ 249,814		$ 239,721	
Days cash on hand	258.7		243.6		303.5	
Hospital Operating Data						
Number of beds (available for use)	178		178		178	
Inpatient discharges	8,949		9,359		8,990	
Average daily census	94		100		99	
Average length of stay	3.8		3.9		4.0	
Occupancy	53%		56%		48%	
Inpatient case mix	1.3732		1.3757		1.3845	
Outpatient visits	222,317		236,771		234,514	

Results of Operations

The Hospital's revenues depend upon inpatient occupancy levels, the ancillary services, and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures, and the charge and negotiated payment rates for such services. The Hospital's gross charges typically do not reflect what is actually paid. The Hospital has entered into agreements with third-party payers, including government programs and managed care health plans, under which payments for healthcare services provided to patients are based upon predetermined rates per diagnoses or discounts from gross charges. In addition, the Hospital's policy is to also provide a discount to uninsured patients. This discount is similar to the discount provided to local managed care health plans.

The Hospital receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Gross patient revenues from the Medicare and Medicaid programs have been trending steady, only changing slightly in the past three years. Governmental reimbursement policies continue to limit or reduce the levels of payments from these programs.

The approximate percentages of gross patient revenues by payer are set forth below:

	2013	2012	2011
Medicare	47.9%	47.0%	46.6%
Medicaid	12.0%	11.3%	12.1%
Managed care plans	31.4%	32.8%	32.8%
Other	8.7%	8.9%	8.5%

Revenues for the year ended December 31, 2013 increased 13.2% to $263.0 million from $233.0 million in 2012. 2012 revenues were also up, approximately 19.3%, when compared to 2011 revenues, which totaled $195.4 million. Revenue increases can be attributed to the addition of nursing home operations in 2013 and 2012 as well as changes in patient volumes. Inpatient discharges for 2013 were down 4.4% and up 4.1%, respectively, when compared to inpatient discharges for 2012 and 2011. Outpatient volumes in 2013 decreased about 6% and 5%, respectively, when compared to outpatient volumes in 2012 and 2011. Emergency Department (ED) visits, which make up 18% of total outpatient volumes also decreased at similar levels when compared to 2012 and 2011. Revenues for 2013 and 2012 were also impacted by the implementation of the Hospital Assessment Fee (HAF) program, which increased net patient revenues from the Medicaid program.

Total operating expenses increased 11.9% in 2013 to $251.5 million from $224.7 million in 2012 and up 20% when compared to operating expenses in 2011, which totaled $187.3 million. Operating expense changes can be attributed to the addition of nursing home operations in 2013 and 2012 and the HAF program adding fees totaling $5.3M for 2013 and $12.5M for 2012. The Hospital continues its efforts at controlling costs and improving efficiencies throughout all departments using Lean Sigma and other process standardization and improvement tools.

Income from operations for 2013 totaled $11.5 million, an increase from the $8.3 million for 2012 and $8.1 million for 2011. Net nonoperating income for 2013 totaled $3.9 million, which included investment gains, interest expense and contributions to related organizations. Net nonoperating expense for 2012 also consisted of investment gains, interest expense and contributions to related organizations and totaled $8.1 million. Nonoperating income for 2011 consisted mostly of investment income and totaled $(2.1) million. In 2012, CRH determined that some construction costs previously incurred were impaired and recorded a special loss item totaling $5.7 million. Increase in net position for 2013 totaled $15.2 million compared to increases in net position that totaled $11.2 million for 2012 and $13.4 million in 2011.

Financial Position

Cash provided by operating activities in 2013 totaled $39 million. This compares to cash provided by operating activities of $19 million in 2012 and $28 million in 2011. The changes in the amount of cash provided from operating activities can be attributed to the addition of nursing home operations in 2013 and 2012 and accounts receivable collections. Capital expenditures totaled $13.4 million for 2013 and included building remodels and computer system upgrades. As of December 31, 2013, the Hospital's construction in progress totaled $1.3 million, consisting of amounts expended for a various capital projects including the WellConnect center. Capital expenditures for 2012 totaled $25.8 million with construction in progress of $1.8 million at the end of the year. Capital expenditures for 2011 totaled $18 million and construction in progress at the end of the year totaled $17.5 million.

Current assets increased to $84.9 million for 2013 compared to $75.5 million in 2012 and $65.3 million in 2011. The increase for 2013 and 2012 was largely due to increased cash balances from the addition of the nursing home operations and changes to patient accounts receivable balances. Other noncurrent cash and investments increased to $134.0 million for 2013 compared to $121.5 million for 2012 and $118.4 million for 2011. The increase can be attributed to internally designated funds as investment market values continued to recover. A summary of other noncurrent assets is presented in the table below:

Noncurrent Assets (dollars in millions)	2013	2012	2011
Internally designated funds	$ 134.0	$ 121.5	$ 118.4
Funds held under a bond indenture agreement by trustee (net of current portion)	-	-	-
Other assets	12.6	13.5	16.9
Total noncurrent assets (excluding capital assets)	$ 146.6	$ 135.0	$ 135.3

The Hospital had $47.6 million in long-term debt at December 31, 2013 compared to $52.2 million for 2012 and $56.5 million for 2011.

Economic Outlook

The Patient Protection and Affordable Care Act/Health Care and Education Reconciliation Act, commonly referred to as the "health care reform law" was signed into law by Federal lawmakers in March 2010 and has been described as the most significant health care legislation since the passage of Medicare and Medicaid. The goal of the 2010 health care reform law is to increase the health care "value" by improving quality, reducing costs and improving accessibility. The law is complicated and its many provisions become effective in stages. Many key provisions will not be effective until after 2014.

Health care reform will require fundamental changes to the healthcare business and care delivery models. Physician relationships will be critical in changing these models. Hospitals will be pressured to reduce costs and operate more efficiently in order to improve the health care value.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hospital Chief Financial Officer's Office at 2400 East 17th Street Columbus, IN 47201.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Balance Sheets
December 31, 2013 and 2012

Assets and Deferred Outflows of Resources

	2013	2012 (Restated)
Current Assets		
Cash	$ 36,433,810	$ 20,615,980
Patient accounts receivable, less allowance for uncollectible accounts ($5,227,554 in 2013 and $6,923,261 in 2012)	30,653,335	33,781,444
Grants receivable	5,088,901	5,088,901
Other receivables	4,619,939	8,301,831
Inventories	2,974,836	3,179,592
Prepaid expenses	3,356,520	2,789,334
Restricted current assets limited as to use - cash equivalents	1,789,790	1,778,810
Total current assets	84,917,131	75,535,892
Noncurrent Cash and Investments		
Internally designated	133,997,043	121,488,663
Trustee-held funds - cash equivalents, less current	23,151	33,894
Total noncurrent cash and investments	134,020,194	121,522,557
Capital Assets		
Plant and equipment	326,134,760	315,036,525
Less accumulated depreciation	206,265,177	188,039,876
	119,869,583	126,996,649
Land	1,770,052	1,770,052
Construction in progress	1,285,621	1,771,681
Capital assets, net	122,925,256	130,538,382
Pension Asset	2,589,973	-
Other Assets		
Notes receivable, related party	3,759,270	5,741,897
Joint venture investments and other notes receivable	5,330,238	6,523,948
Goodwill	940,768	1,191,819
Total other assets	10,030,276	13,457,664
Total assets	354,482,830	341,054,495
Deferred Outflows of Resources	3,580,625	5,082,548
Total assets and deferred outflows of resources	$ 358,063,455	$ 346,137,043

Liabilities and Net Position

	2013	2012 (Restated)
Current Liabilities		
Accounts payable	$ 12,287,707	$ 11,586,161
Salaries, wages and related liabilities	11,249,402	10,123,656
Accrued interest payable	350,521	495,658
Estimated third-party payer settlements	4,532,154	7,316,278
Other accrued liabilities	14,591,433	10,075,189
Current portion of long-term debt	4,755,000	4,455,000
Total current liabilities	47,766,217	44,051,942
Fair Value of Interest Rate Swap Agreements	2,398,193	3,752,312
Long-Term Obligations	42,885,593	47,751,431
Accrued Pension Cost	-	767,346
Total liabilities	93,050,003	96,323,031
Net Position		
Unrestricted	187,903,344	169,613,027
Net investment in capital assets	75,284,663	78,331,951
Restricted	1,825,445	1,869,034
Total net position	265,013,452	249,814,012
Total liabilities and net position	$ 358,063,455	$ 346,137,043

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012 (Restated)
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of $15,035,566 in 2013 and $14,559,326 in 2012	$ 257,256,907	$ 226,474,486
Other operating revenue	5,797,366	6,571,905
Total operating revenue	263,054,273	233,046,391
Operating Expenses		
Salaries and wages	67,722,588	75,764,081
Employee benefits	21,030,507	26,636,641
Fees	16,063,476	16,499,282
Supplies	38,128,816	36,189,505
Purchased services	81,414,525	32,994,902
Depreciation and amortization	18,278,163	19,100,885
Insurance	2,276,085	2,427,524
Hospital assessment fee	5,254,558	12,506,453
Other	1,352,853	2,597,056
Total operating expenses	251,521,571	224,716,329
Operating Income	11,532,702	8,330,062
Nonoperating Income (Expenses)		
Investment return	11,741,615	13,241,326
Interest expense	(2,108,811)	(2,364,415)
Contributions to related organizations	(4,565,585)	(2,195,275)
Other nonoperating expense	(1,149,430)	(611,018)
Total nonoperating income	3,917,789	8,070,618
Excess of Revenues Over Expenses Before Capital Grants	15,450,491	16,400,680
Capital Grants	-	587,190
Special Item - Impairment of Assets	(251,051)	(5,740,566)
Increase in Net Position	15,199,440	11,247,304
Net Position, Beginning of Year, as previously reported	249,814,012	239,720,869
Adjustments for change in accounting principle	-	(1,154,161)
Net Position, Beginning of Year, as restated	249,814,012	238,566,708
Net Position, End of Year	$ 265,013,452	$ 249,814,012

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012 (Restated)
Operating Activities		
Cash received from patients and third-party payers	$ 257,600,892	$ 218,334,997
Cash payments to employees for services	(85,532,721)	(98,970,578)
Cash payments to suppliers for goods and services	(142,242,543)	(102,544,356)
Other cash received	9,479,258	2,221,385
Net cash provided by operating activities	39,304,886	19,041,448
Noncapital Financing Activities		
Contributions to related parties	(4,565,585)	(2,195,275)
Other nonoperating	(464,540)	(611,018)
Net cash used in noncapital financing activities	(5,030,125)	(2,806,293)
Capital and Related Financing Activities		
Principal paid on long-term debt	(4,455,000)	(4,175,000)
Interest paid on long-term debt	(2,071,845)	(2,413,912)
Acquisition and construction of capital assets	(13,398,794)	(25,778,786)
Net cash used in capital and related financing activities	(19,925,639)	(32,367,698)
Investing Activities		
Investment income	2,997,201	5,503,435
Purchase of investments in assets limited as to use	(7,313,966)	(6,960,091)
Disbursements for loans receivable	(927,303)	(1,551,286)
Repayments of loans receivable	2,693,555	961,831
Sale of Columbus Urgent Care	219,690	-
Impairment of goodwill	251,051	
Sale of investments in assets limited as to use	3,550,000	11,808,953
Net cash provided by investing activities	1,470,228	9,762,842
Net Increase (Decrease) in Cash and Cash Equivalents	15,819,350	(6,369,701)
Cash and Cash Equivalents at Beginning of Year	22,428,684	28,798,385
Cash and Cash Equivalents at End of Year	$ 38,248,034	$ 22,428,684

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2013 and 2012

	2013	2012 (Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 36,433,810	$ 20,615,980
Cash and cash equivalents in assets limited as to use and noncurrent cash		
Held by trustee under bond indenture	1,812,941	1,812,704
Total cash and cash equivalents	$ 38,246,751	$ 22,428,684
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 11,532,702	$ 8,330,062
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	18,278,163	19,100,885
Provision for uncollectible accounts	15,035,566	14,559,326
Change in assets and liabilities		
Patient accounts receivable and third-party settlements	(14,691,581)	(20,448,960)
Other assets	4,509,857	(7,949,785)
Current liabilities	4,640,179	5,449,920
Net cash provided by operating activities	$ 39,304,886	$ 19,041,448
Additional Cash Flows Information		
Property and equipment accrued through accounts payable	$ 1,187,789	$ 3,096,443
Impairment of capital asset recognized	251,051	5,740,566

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

Nature of Operations and Reporting Entity

Columbus Regional Hospital (Hospital) is an acute care hospital located in Columbus, Indiana. The Hospital is a component unit of Bartholomew County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Bartholomew County and surrounding areas.

The Hospital also operates four long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated expenses and working capital requirements.

The Hospital is the party to several joint venture activities, which are generally accounted for under the equity method, and are more fully described later in the notes to financial statements.

In accordance with this GASB Statement No. 61, the financial statements include the financial statements of Columbus Surgery Center, LLC, Multi-County Health Network, LLC, and Columbus Area Radiology, LLC (dba Columbus Diagnostic Imaging). Each of these separate legal entities has been reported as blended component units of the Hospital.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

During 2013, the Hospital adopted GASB Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources of inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as limiting the use of the term “deferred” in the financial statement presentations. Adoption of GASB 65 resulted in a decrease of $1,154,161 in net position as of January 1, 2012 and an increase in net position of $178,392 for the year ended December 31, 2012. These changes resulted from the requirement in GASB 65 that debt issuance costs be recognized as an expense in the period incurred. Another change resulting from application of GASB 65 is the reclassification of the deferred losses from the refunding of debt to deferred outflows of resources.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted primarily of money market accounts with banks.

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, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health and workers compensation claims. Annual estimated provisions are accrued for the self-insured portion of the self-insured claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

The investment in certain joint venture activities is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows are reported in the balance sheets but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the Hospital consist of deferred losses on debt refundings (defeasance costs) and the cumulative change in the fair value of interest rate swap agreements.

Deferred amounts on refunding represent losses incurred in connection with the refunding of various long-term debt. Such losses are being amortized over the shorter of the term of the respective original debt or the term of the new debt using the straight-line method.

As of December 31, 2013 and 2012, deferred outflows of resources were made up of the following:

	2013	2012
Deferred losses on debt refundings	$ 1,182,432	$ 1,330,236
Cumulative change in fair value of interest rate swap agreements	2,398,193	3,752,312
Total deferred outflows of resources	$ 3,580,625	$ 5,082,548

Inventories

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

Goodwill

Goodwill has a carrying value at December 31, 2013 and 2012 of $940,768 and $1,191,819, respectively. Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. In 2013, the Hospital wrote off goodwill that was previously recorded on the books of Columbus Surgery Center, as a result of an impairment identified by management. There were no write-downs in the carrying amounts of goodwill during 2012.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	10 - 15 years
Buildings and leasehold improvements	15 - 25 years
Equipment	3 - 10 years

Compensated Absences

Hospital policies permit most employees to accumulate vacation that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Employees earn 24, 29, 34 and 39 PTO days upon attaining specified years of employment. Part-time employees earn PTO hours on a pro rata basis on the specified years of employment. PTO days can be used for vacation, illness or bereavement.

Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets, less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

Interest Rate Swap Agreements

The Hospital uses interest rate swap agreements to manage financial risks related to interest rate movements and the effects on its cash flows. The Hospital is accounting for the interest rate swap agreements as hedging instruments. As a result, the agreements are recorded at fair value in the balance sheets. The net cash payments or receipts under the interest rate swap agreements are recorded as an increase or decrease to interest expense.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Grants and Contributions

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

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue under the Medicare program ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Hospital completed the first-year requirements under the Medicaid program and has recorded revenue of approximately $600,000, which is included in other operating revenues in the statement of revenues, expenses and changes in net position. The Hospital had not met the requirements for the first-year payment under the Medicare program as of December 31, 2012.

In 2013, the Hospital completed the second-year requirements under the Medicaid program and has recorded revenue of approximately $475,000, which is included in the other operating revenues in the statement of revenues, expenses and changes in net position. The Hospital also completed the first-year requirements under the Medicare program in 2013. Accordingly, the Hospital recognized revenue of approximately $2,000,000, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

Special Item

Special items are defined as transactions or events either unusual in nature or infrequent in occurrence and within management's control. During 2013 and 2012, the Hospital recognized charges of $251,051 and $5,740,566 that pertained to impairment of goodwill and architectural and construction plans for an abandoned capital plan, respectively. The plans were construction-ready prior to the June 7, 2008 flood. The construction was delayed while the Hospital recuperated from the flood. Given the current health care reform environment and needs of the Hospital, the Hospital decided in 2012 to permanently abandon these plans and pursue other capital planning.

Long-Term Nursing Facilities

During 2013 and 2012, the Hospital acquired nursing home operations through the execution of licensing agreements, management agreements and lease agreements with various third parties. The nature of the agreements provide the Hospital the rights to all operating assets, government provider numbers and real estate. In connection with these agreements, the Hospital simultaneously entered into a management agreement with a third party to execute the operations of the nursing home. The agreements have cancellation clauses, without cause, given appropriate notice. As the Hospital is a non-state government-owned hospital, it is entitled to certain special Medicaid payments, which are reflected in the balance sheet and statements of revenues, expenses and changes in net position.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Blended Component Units

The financial statements include the blended component unit accounts of Columbus Service Center LLC (CSC), Multi-County Health Network LLC (MCHN) and Columbus Diagnostic Imaging (CDI) as discussed in Note 1. The following is a financial summary of the component units as of December 31, 2013 and 2012.

	CSC		MCHN		CDI
	2013	2012	2013	2012	2013
Total current assets	$ 126,392	$ 508,320	$ 102,007	$ 181,317	$ 497,559
Total noncurrent assets	172,787	1,222,532	470	-	98,229
Total assets	$ 299,179	$ 1,730,852	$ 102,477	$ 181,317	$ 595,788
Total liabilities	$ 97,896	$ 167,998	$ 22,385	$ 115,674	$ 118,116
Net position	201,283	1,562,854	80,092	65,643	477,672
Total liabilities and net position	$ 299,179	$ 1,730,852	$ 102,477	$ 181,317	$ 595,788
Revenue	$ 646,235	$ 2,896,187	$ 79,966	$ 25,843	$ 1,448,815
Operating expenses	(1,525,731)	(2,940,410)	(283,389)	(782,289)	(1,894,724)
Non-operating revenue (expenses)	(873,862)	-	-	-	49,020
Transfer from Hospital	391,787	-	217,872	786,434	874,561
Change in net position	(1,361,571)	(44,223)	14,449	29,988	477,672
Net position, beginning of year	1,562,854	1,607,077	65,643	35,655	-
Net position, end of year	$ 201,283	$ 1,562,854	$ 80,092	$ 65,643	$ 477,672

Note 3: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

A summary of payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to the Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Medicaid Disproportionate Share. The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive certain supplemental Medicaid payments. The amounts of these supplemental Medicaid payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental Medicaid payments under this program have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately $11.2 million and $3.9 million of net patient service revenue related to the supplemental Medicaid payment program for the years ended December 31, 2013 and 2012, respectively.

The Hospital also received approximately $6.9 million and $19.2 million during 2013 and 2012, respectively, due to the enactment of a state-specific provider assessment program to increase Medicaid payments to hospitals referred to as the Indiana Hospital Assessment Fee Program. This revenue is recorded within net patient service revenue in the statement of revenues, expenses and changes in net position for 2013 and 2012. The Hospital paid approximately $5.3 million and $12.5 million into this Medicaid program in 2013 and 2012, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. There is no assurance this program will continue to be implemented in the future, and as of December 31, 2013, this provider assessment program was awaiting federal approval to be continued past June 30, 2013. As a result, no estimate has been recorded for this program for possible additional revenue and expense that could be applicable to the Hospital for the period beginning July 1, 2013. Extension of this program received federal approval in March 2014, with a retroactive applicable date of July 1, 2013.

Approximately 48% and 46% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and are included in net patient service revenue. The Hospital recognized approximately $5.7 million and $1.4 million related to this supplemental payment program for the years ended December 31, 2013 and 2012, respectively.

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

The 2013 net patient service revenue decreased approximately $750,000 due to removal of previously estimated amounts. The 2012 net patient service revenue decreased approximately $556,000 due to removal of previously estimated amounts.

Details of gross patient charges and contractual allowances are as follows:

	2013	2012
Gross patient charges		
Inpatients	$ 240,484,821	$ 199,417,491
Outpatients	268,632,001	254,995,748
	509,116,822	454,413,239
Charity care charges foregone	(10,076,989)	(13,987,047)
Provision for bad debt	(15,035,566)	(14,559,326)
Contractual allowances	(226,747,360)	(199,392,380)
Net patient service revenue	$ 257,256,907	$ 226,474,486

Note 4: Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2013 and 2012, charges excluded from revenue under its charity policy were $15,565,219 and $13,987,047, respectively. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was $6,791,105 for 2013 and $6,173,257 for 2012.

Note 5: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2013 and 2012, the Hospital had the following investments, all of which mature within one year:

	2013	2012
Cash equivalents - money market funds	$ 1,812,941	$ 1,812,704
Investments		
Mutual funds	$ 133,745,882	$ 121,266,999
Interest receivable	251,161	221,664
	$ 133,997,043	$ 121,488,663

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy states an expected duration of investments between two and five years. The money market account and mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's, with a maximum maturity of one year. At December 31, 2013 and 2012, the Hospital's investments in mutual funds were not rated by Standard & Poor or Moody. No investments are to be made by the Hospital in nonmarketable securities.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in repurchase agreements, equities and fixed income securities at December 31, 2013 and 2012 are held by the counterparties in other than the Hospital's name.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2013 and 2012, the Hospital's investment in mutual funds consisted of:

	2013	2012
PIMCO Total Return and Low Duration fixed income funds	25%	28%
Scout Core Plus Bond Fund Institutional	28%	31%
Mainstay ICAP Select Equity fund	11%	9%
Vanguard Institutional Index fund	9%	7%
Other funds	27%	25%
	100%	100%

Summary of Carrying Values

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

	2013	2012
Carrying value		
Deposits	$ 38,246,751	$ 22,428,684
Investments	133,997,043	121,488,663
	$ 172,243,794	$ 143,917,347
Included in the following balance sheet captions		
Cash	$ 36,433,810	$ 20,615,980
Current assets limited as to use	1,789,790	1,778,810
Noncurrent assets limited as to use	134,020,194	121,522,557
	$ 172,243,794	$ 143,917,347

Investment Return

Investment return for the years ended December 31, 2013 and 2012 consisted of:

	2013	2012
Interest and dividend income	$ 2,997,201	$ 5,719,373
Net increase in fair value of investments	8,744,414	7,521,953
	$ 11,741,615	$ 13,241,326

Note 6: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. The mix of accounts receivable from patients and third-party payers at December 31, 2013 and 2012 was as follows:

	2013	2012
Medicare	35.4%	37.1%
Medicaid	15.0%	13.0%
Other third-party payers	39.3%	38.1%
Individual patients	10.3%	11.8%
	100.0%	100.0%

Note 7: Investment in and Advances to Equity Investees

The Hospital participates as a joint owner in several companies. The investment by the Hospital in these companies is recorded in accordance with the equity method of accounting. Where the Hospital's ownership percentage is less than 20%, the cost method of accounting is used. A listing of the companies, ownership percentages and the net investment values as of December 31 are as follows:

Company Name - Description	Ownership %	2013 Investment Amount	2012 Investment Amount
Brown County Medical Coop LLC - Medical Office Building	50.00%	$ 601,430	$ 777,430
Columbus Urgent Care Center JT Venture - Immediate Care Center	0% / 50.00%	-	219,690
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	450,000	450,000
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	181,921	181,921
United Hospital Services, LLC - Laundry Services	4.35%	262,722	262,722
Indiana Healthcare Reciprocal Risk Retention Group	11.00%	335,311	335,311
Total		$ 1,831,384	$ 2,227,074

Note 8: Capital Assets

Capital assets activity for the years ended December 31, 2013 and 2012 was:

2013

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,770,052	$ -	$ -	$ -	$ 1,770,052
Land improvements	17,255,014	64,629	-	-	17,319,643
Buildings and leasehold improvements	178,583,245	3,289,812	(1,252,711)	1,528,792	182,149,138
Equipment	119,198,266	6,809,312	(1,973,335)	2,631,736	126,665,979
Construction in progress	1,771,681	1,075,336	-	(1,561,396)	1,285,621
	318,578,258	11,239,089	(3,226,046)	2,599,132	329,190,433
Less accumulated depreciation					
Land improvements	9,749,244	503,266	-	-	10,252,510
Buildings and leasehold improvements	100,379,442	7,470,397	(604,181)	12,527	107,258,185
Equipment	77,911,190	10,193,662	(1,895,641)	2,545,271	88,754,482
	188,039,876	18,167,325	(2,499,822)	2,557,798	206,265,177
	$ 130,538,382	$ (6,928,236)	$ (726,224)	$ 41,334	$ 122,925,256

2012

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,746,052	$ 24,000	$ -	$ -	$ 1,770,052
Land improvements	10,874,132	1,309,898	(2,450)	5,073,434	17,255,014
Buildings and leasehold improvements	175,037,488	3,444,494	(187,881)	289,144	178,583,245
Equipment	101,256,223	18,170,293	(6,496,774)	6,268,524	119,198,266
Construction in progress	17,524,000	1,541,727	(5,662,944)	(11,631,102)	1,771,681
	306,437,895	24,490,412	(12,350,049)	-	318,578,258
Less accumulated depreciation					
Land improvements	9,365,463	386,231	(2,450)	-	9,749,244
Buildings and leasehold improvements	92,259,609	8,245,002	(125,169)	-	100,379,442
Equipment	73,854,431	10,468,092	(6,411,333)	-	77,911,190
	175,479,503	19,099,325	(6,538,952)	-	188,039,876
	$ 130,958,392	$ 5,391,087	$ (5,811,097)	$ -	$ 130,538,382

Note 9: Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured. However, the Indiana Malpractice Act (the Act) limits professional liability for claims prior to July 1, 1999 to a maximum recovery of $750,000 per occurrence ($3,000,000 annual aggregate), $100,000 of which would be paid through malpractice insurance coverage, and the balance would be paid by the State of Indiana patient Compensation Fund (the Fund). For claims on or after July 1, 1999, the maximum recovery is $1,250,000 per occurrence ($7,500,000 annual aggregate), $250,000 of which would be paid through insurance coverage and the remainder by the Fund.

During 2003, the Hospital became one-sixth a subscriber in a Vermont captive insurance company, Indiana Healthcare (previously named VHA Central), a reciprocal risk retention group. This captive insurance company was fully recognized by the Fund as of October 1, 2003. The initial capital contribution of $166,667 has been included in other assets, along with additional funds remitted thereafter of $168,644. Effective February 1, 2004, the captive insurer provided insurance coverage to the Hospital for the required portion of the insurance coverage pursuant to the Act as well as its liability insurance. In prior years, insurance coverage was provided by ProAssurance and PHICO Insurance Company (PHICO).

Note 10: Self-Insured Claims

Substantially all of the Hospital’s employees and their dependents are eligible to participate in the Hospital’s employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount $250,000 in 2013 and 2012. The Hospital is also self-insured for worker’s compensation claims. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital’s estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Activity in the Hospital's accrued employee health claims liability, which is included in other accrued liabilities in the balance sheets, during 2013 and 2012 is summarized as follows:

	2013	2012
Balance, beginning of year	$ 2,538,368	$ 1,917,528
Current year claims incurred and changes in estimates for claims incurred in prior years	8,835,476	14,220,235
Claims and expenses paid	(9,697,691)	(13,599,395)
Balance, end of year	$ 1,676,153	$ 2,538,368

Note 11: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2013 and 2012:

2013	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority Bonds Series 2009	$ 40,580,000	$ -	$ (905,000)	$ 39,675,000	$ 955,000
Indiana Health Facility Financing Authority Bonds - Series 1993	11,415,000	-	(3,550,000)	7,865,000	3,800,000
	51,995,000	-	(4,455,000)	47,540,000	4,755,000
Plus: Unamortized bond premium	211,431	-	(110,838)	100,593	-
Total long-term debt	$ 52,206,431	$ -	$ (4,565,838)	$ 47,640,593	$ 4,755,000

2012	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority Bonds Series 2009	$ 41,435,000	$ -	$ (855,000)	$ 40,580,000	$ 905,000
Indiana Health Facility Financing Authority Bonds - Series 1993	14,735,000	-	(3,320,000)	11,415,000	3,550,000
	56,170,000	-	(4,175,000)	51,995,000	4,455,000
Plus: Unamortized bond premium	357,439	-	(146,008)	211,431	-
Total long-term debt	$ 56,527,439	$ -	$ (4,321,008)	$ 52,206,431	$ 4,455,000

Revenue Bonds Payable

Indiana Health Facility Financing Authority Hospital Revenue Refunding Bonds, Series 1993, payable August 2015 are subject to mandatory redemption through the operation of a sinking fund, which commenced August 15, 2009. The amount of the principal payable at December 31, 2013 and 2012 totals $7,865,000 and $11,415,000, respectively. The unamortized bond issue premium at December 31, 2013 and 2012 totals $100,593 and $211,433. Interest is payable semiannually at 7.0%.

In July 1993, the Hospital issued its note to the Indiana Health Facility Financing Authority (IHFFA) securing the IHFFA Hospital Revenue Refunding Bonds, Series 1993, in the amount of $78,955,000. On August 15, 2003, a portion of the Series 1993 Bonds was called, leaving $23,440,000 outstanding. The Series 1993 Bonds are not collateralized by a pledge, grant or mortgage of any real property of the Hospital. However, the Hospital has covenanted not to create any lien on its property other than certain permitted encumbrances. In addition, the bond agreements require maintenance of a certain debt service coverage ratio, limit additional borrowings and require compliance with other restrictive covenants.

In November 2009, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B in the amount of $43,095,000. The bonds were issued to refund the IHFFA Hospital Revenue Refunding Bonds, Series 2003. Annual principal payments are due through August 1, 2021 and interest is variable, determined weekly and paid monthly. At December 31, 2013, the weekly interest rate was 0.06%. In addition, the payment of principal and interest is further secured by separate irrevocable, direct-pay letter of credit for which the Hospital pays a letter of credit fee quarterly.

In the event of a tender advance, repayment terms of the letter of credit consist of interest only on the first 367 days, with payment and interest and principal thereafter based upon a stated amortization schedule, or expiration of the letter of credit, whichever is first. The letter of credit expires in January 2015.

The Series 2009 Bond issue requires the Hospital to maintain certain financial covenants similar to previous bond issues. In connection with refunding of the Series 2003 Bonds, the related loss on bond defeasance was deferred and is being amortized over the life of the Series 2009 Bond issue.

The debt service requirements (excluding bond premium accretion) as of December 31, 2013, are as follows:

Years Ending December 31	Total to be Paid	Principal	Interest
2014	$ 6,582,433	$ 4,755,000	$ 1,827,433
2015	6,590,410	5,070,000	1,520,410
2016	6,721,573	5,465,000	1,256,573
2017	6,830,987	5,770,000	1,060,987
2018	6,945,555	6,090,000	855,555
2019 - 2021	21,605,637	20,390,000	1,215,637
	$ 55,276,595	$ 47,540,000	$ 7,736,595

Note 12: Line of Credit Agreement

The Hospital has an unsecured taxable line of credit providing up to $3,000,000 of nonrevolving credit. This line will mature in January 2015. As of December 31, 2013 and 2012, there were no borrowings against this line of credit.

Note 13: Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements

The Hospital's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Hospital entered into interest rate swap agreements for its bonds. The intention of the swaps is to effectively change the Hospital's variable interest rate on this note to a synthetic fixed rate.

Terms

The agreements required no initial net cash receipt or payment by the Hospital. The agreements provide for the Hospital to receive interest from the counterparty at a variable rate based on the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the tables below:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2013
$ 11,840,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (1,237,916)
13,320,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(1,160,277)
$ 25,160,000						$ (2,398,193)

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2012
$ 12,130,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (1,901,072)
13,650,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(1,851,240)
$ 25,780,000						$ (3,752,312)

Under the agreements, the Hospital pays or receives the net interest amount every 35 days, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimated relevant future market conditions. The fair values of the agreements are recognized in other liabilities in the Hospital's balance sheets. As the swaps are effective hedging instruments, the offsetting balance is reflected as a deferred outflows of resources on the Hospital's balance sheets. The changes in fair value of the swap agreements of ($1,354,119) and ($1,460) for the years ended December 31, 2013 and 2012, respectively, are shown as an adjustment to the carrying amount of the related deferred outflows of resources on the balance sheets.

Interest Rate Risk

The Hospital entered into the interest rate swap agreements as a means of limiting its exposure to fair value losses occurring from rising variable interest rates associated with various bonds. Beginning in 2004, the notional amount of the swap agreements declines by a corresponding amount each time a principal payment becomes due on the associated debt until the notional amounts for each agreement reach $0 at the termination of the swap agreements. The termination date of the swap agreements corresponds to the maturity of the 2009A Bonds and 2009B Bonds. At December 31, 2013, the notional amount of the interest rate swap agreements will decline as follows:

Maturities in Years			
Less Than 1	1-5	6-10	More Than 10
$ 715,000	$ 12,410,000	$ 12,035,000	$ -

Credit Risk

The fair value of each swap represents the Hospital's credit exposure to the counterparty as of December 31. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the fair value at that date. To mitigate the potential for credit risk, the swaps are insured by Assured Guaranty Corporation, which was rated A3 by Moody's Investors Service as of December 31, 2013 and 2012. The Hospital does not currently have a policy of requiring the counterparty post collateral in the event the Hospital becomes exposed to credit risk. The Hospital does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swaps expose the Hospital to basis risk should the relationship between LIBOR and the prime rate set by the Hospital's lender change in a manner adverse to the Hospital. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

Termination Risk

The Hospital or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps were terminated, the variable-rate bonds would no longer have a synthetic fixed rate of interest. Also, if the swaps have a negative fair value at the time of termination, the Hospital would be liable to the counterparty for a payment equal to the fair value of the respective swap.

The change in the Hospital's fair value of interest rate swap agreements during 2013 and 2012 is summarized as follows:

	2013	2012
Balance, beginning of year	$ (3,752,312)	$ (3,753,772)
Change in market value	1,354,119	1,460
Balance, end of year	$ (2,398,193)	$ (3,752,312)

Swap Payments and Associated Debt

Using rates as of December 31, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

Years Ending December 31	2009 Bonds Principal	2009 Bonds Interest	Interest Rate Swap, Net	Total to be Paid
2014	$ 955,000	$ 1,377,453	$ 684,614	$ 3,017,067
2015	1,005,000	1,343,443	664,273	3,012,716
2016	5,465,000	1,256,573	644,093	7,365,666
2017	5,770,000	1,060,987	578,394	7,409,381
2018	6,090,000	855,555	479,332	7,424,887
2019 - 2021	20,390,000	1,215,636	808,894	22,414,530
	$ 39,675,000	$ 7,109,647	$ 3,859,600	$ 50,644,247

Note 14: Restricted and Designated Net Position

At December 31, 2013 and 2012, restricted net position was available for the following purposes:

	2013	2012
Debt service	$ 1,812,941	$ 1,812,704
Capital acquisitions	10,761	49,095
Specific operating activities	1,743	7,235
Total restricted net position	$ 1,825,445	$ 1,869,034

At December 31, 2013 and 2012, approximately $134 million and $121 million, respectively, of the Hospital's unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated portion of net position remain under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Note 15: Operating Leases

The Hospital leases various facilities under operating leases expiring at various dates through 2023. Total rental expense in 2013 and 2012 for all operating leases was approximately $5,700,000 and $1,549,000, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2013 that have initial or remaining lease terms in excess of one year:

2014	$ 7,094,383
2015	5,967,675
2016	4,641,201
2017	4,413,257
2018	2,087,987
2019 - 2023	1,552,484
Future minimum lease payments	$ 25,756,987

Note 16: Retirement Plans

Pension Plan - Defined Benefit Plan

Plan Description

The Hospital had a defined-benefit pension plan as authorized by IC 16-22-3-11, covering substantially all employees of the Hospital, which was frozen in December 2012. The plan provides retirement benefits to plan members and beneficiaries. The Hospital issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by writing to Columbus Regional Hospital, 2400 E. 17th Street, Columbus, Indiana 47201.

In September 2013, the Hospital's Board of Trustees decided to terminate and liquidate the defined-benefit pension plan in 2014, depending on regulatory approval, among other factors. The decision constituted a significant event and resulted in a change in actuarial assumptions to a terminating basis of actuarial calculations. As such, approximately $1,700,000 of additional expense was recorded in the last quarter 2013 financial statements pertaining to the actuarial redetermination.

Funding Policy

The Hospital is required to contribute at an actuarially determined rate; the rate was (.6%) and 5.9% of annual covered payroll for 2013 and 2012, respectively. The Columbus Regional Hospital Pension Committee is responsible for establishing the required plan contribution. The Hospital's contributions to the plan for 2013 and 2012 were $5,047,000 and $3,029,002, respectively.

Annual Pension Cost and Net Pension Obligation

The Hospital's annual pension cost and net pension obligation of the plan for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Annual required contribution	$ 1,121,940	$ 3,029,002
Interest on net pension obligation	17,257	57,905
Adjustment to annual required contribution	550,484	(117,777)
Annual pension cost	1,689,681	2,969,130
Contributions made	5,047,000	3,029,002
Decrease in net pension obligation	(3,357,319)	(59,872)
Net pension obligation, beginning of year	767,346	827,218
Net pension (asset) obligation, end of year	$ (2,589,973)	$ 767,346

Actuarial Assumptions	
Investment rate of return	7.00% for the 2013 and 2012 valuation
Projected future salary increases	Rates of pay increases are no longer applicable due to the Plan freeze effective December 15, 2012. The previous year stated 3.00% annually; plus merit and promotional percentage increases based on age or years of service

Asset Valuation Method

The actuarial values of assets are valued on a smoothed value basis. Under this method, gains and losses on the market value of assets are smoothed over five years. Notwithstanding the above, the adjusted market value shall never be greater than 115%, nor less than 85%, of the actual market value.

Three-Year Trend Information

Years Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
2011	$ 2,699,181	102.4%	$ 827,218
2012	2,969,130	102.0%	767,346
2013	1,689,681	298.7%	(2,589,973)

Funded Status

As of January 1, 2013, the most recent actuarial valuation date, the plan was over 100% funded. The actuarial accrued liability for benefits was $38.1 million and the actuarial value of assets was $38.6 million, resulting in an overfunded actuarial asset (OAA) of $0.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $77.4 million and the ratio of UAAL to the covered payroll was (0.6%).

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Defined-Contribution Plan

The Hospital also has a defined-contribution plan under Internal Revenue Code Section 401(a). The Columbus Regional Hospital Employee Savings Plan covers substantially all employees who have elected to participate in the tax sheltered annuity plan. Beginning in 2013, the Hospital contributes 2% to each eligible employees pension account. Additionally, each employee who contributes at least 1% into a tax sheltered annuity plan will receive a matching contribution under the savings plan of between 2% and 4% depending on years of service. Pension expense under this plan for 2013 and 2012 was $3,069,637 and $549,259, respectively.

Deferred Compensation Plan

During 2009, the Hospital began a deferred compensation plan for certain independent contractors of the Hospital under Internal Revenue Code Section 457(f). Under the plan, the Hospital makes certain contributions to each participant’s deferred compensation account in accordance with the personal services agreement between the Hospital and participant. At December 31, 2013 and 2012, the liability recorded for deferred compensation earned by the participants was $2,217,403 and $2,339,548, respectively.

Note 17: Commitments and Contingencies

Commitments

As of December 31, 2013, the Hospital had material commitments for acquisition of capital assets totaling approximately $31 million, primarily for a new building project to expand the emergency department and cancer center with an anticipated start date during 2014.

The Hospital, along with two other hospitals, have agreed to guarantee a $1,000,000 reserve line of credit for the Innovative Physician Solutions, a Risk Retention Group, Inc. This company is an Arizona risk retention group insurer which provides cost-effective medical malpractice insurance coverage for the physicians in Bartholomew County and the surrounding region. The Hospital's maximum contingent liability under the pro rata guarantee is $425,000. No amount has been drawn on this line of credit.

Regulatory Audit

The Hospital has been reviewed by the Office of the Inspector General (OIG) related to spending of certain federal expenditures administered by the Federal Emergency Management Agency (FEMA) during the Hospital's reconstruction of the 2008 flood damage. In the OIG's report dated December 3, 2013, it concludes that approximately $10.9 million of funding should be de-obligated. Subsequent to year end, FEMA issued a notice to the Hospital of FEMA's plans to de-obligate the entire amount of the OIG's recommended amounts. Management intends to appeal certain findings within the OIG's report and believe they have a meritorious position. Management has accrued an amount it believes is reasonable to cover any losses related to the final resolution of the asserted de-obligated amounts. Events could occur that would cause the estimate to differ materially in the near term.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 18: Related Party Transactions

The Hospital is related to several operating entities, which do not require presentation as component units within the Hospital's financial statements. These entities are related due to the existence of common directors. The following transactions and year-end balances are included in the financial statements of the Hospital:

Corporate Name/Nature of Relationship	2013	2012
Southeastern Indiana Health Management, Inc. (SIHM)		
Hospital purchases services		
Management services expense	$ 4,699,044	$ 4,699,044
Rent expense	216,417	210,873
Insurance expense	577,806	477,864
Note receivable	3,759,270	5,741,518
Contributions to related organizations	5,816,978	3,796,121
Investment income	136,442	157,984
Contract services reimbursed	12,287,898	491,000
Employee benefit reimbursement received	119,114	344,446
Miscellaneous income	616,900	455,737
Other receivables	188,669	36,505
Accounts payable	1,290,950	604,740
Notes receivable (including interest) due from SIHM are made up of the following:		
Note due on demand, interest paid at prime	$ 9,000	$ 44,999
Interest-free note due December 2017	232,377	-
Note due on demand, interest paid at prime plus 1%	222,900	301,525
Long-term note due July 1, 2015, interest of 4%	3,294,993	3,294,994
Interest-free long-term note due May 1, 2017	-	2,100,000
	$ 3,759,270	$ 5,741,518
Columbus Regional Hospital Foundation, Inc.		
Hospital receives donations and makes contributions		
Contributions to the Foundation	$ 726,000	$ 669,856
Contributions received from the Foundation	126,424	123,930
Other receivables	17,337	46,362
Hospice of South Central Indiana, Inc.		
Hospital purchases services		
Operating expenses	60,000	6,000
Miscellaneous sales to Hospice	208,432	179,653
Other receivables	16,110	179,446

Note 19: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Indiana has not affirmatively indicated whether or not it will participate in the expansion of the Medicaid program. The impact of that decision on the overall reimbursement to the Hospital cannot be quantified at this point.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

Required Supplemental Information
(Unaudited)

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Required Supplementary Pension Plan Information
December 31, 2013
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
1/1/2011	$ 38,131,649	$ 40,885,202	$ 2,753,553	93.3%	$ 74,175,551	3.7%
1/1/2012	38,201,350	42,520,433	4,319,083	89.8%	73,536,786	5.9%
1/1/2013	38,556,781	38,094,972	(461,809)	101.2%	77,405,212	-0.6%

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Annual Required Contribution (ARC)	Amount Contributed	Percentage of ARC Contributed	Net Pension (Asset) Obligation
2011	$ 2,699,181	$ 2,763,725	$ 2,763,725	100%	$ 827,218
2012	2,969,130	3,029,002	3,029,002	100%	767,346
2013	1,689,681	1,121,940	5,047,000	450%	(2,589,973)