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# STATE OF INDIANA

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January 9, 2015

Board of Directors
Health and Hospital Corporation of Marion County
3838 N. Rural Street
Indianapolis, IN 46205-2930

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 Health and Hospital Corporation of Marion County, 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.

We call your attention to two financial statement findings in the report. Please refer to the Schedule of Findings and Questioned Costs for complete details of the findings. Management's planned corrective action directly follows each finding.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

# Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of
the Consolidated City of Indianapolis - Marion County)

Auditor's Report and Financial Statements

For the Year Ended December 31, 2013

# Health and Hospital Corporation of Marion County, Indiana
## (A Component Unit of the Consolidated City of Indianapolis - Marion County)
## For the Year Ended December 31, 2013

## Contents

# Health and Hospital Corporation of Marion County, Indiana

**(A Component Unit of the Consolidated City of Indianapolis - Marion County)**

**For the Year Ended December 31, 2013**

## Contents (Continued)

BKD LLP
CPAs & Advisors
201 N. Illinois Street, Suite 700 // P.O. Box 44998 // Indianapolis, IN 46244-0998
317.383.4000 // fax 317.383.4200 // bkd.com

# Independent Auditor's Report

Board of Trustees
Health and Hospital Corporation of Marian County, Indiana
Indianapolis, Indiana

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation), as of and for the year ended December 31, 2013 and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements listed in the table of contents.

### *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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 2013, the Corporation changed its method of accounting for debt issuance costs and the classification of certain deferred balances to deferred inflows of resources and deferred outflows of resources. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General fund budgetary 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 basic 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 basic 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Corporation's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
September 30, 2014

## Management's Discussion and Analysis (Unaudited)

As management of the Health and Hospital Corporation of Marion County, Indiana, (Corporation), we offer readers of this Corporation's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

**Financial Highlights**

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by $616,957,703 (net position). Unrestricted net position at the end of 2013 is a negative $222,576,951.
- The Corporation's total net position increased by $33,251,059, from current year activities.
- As of the close of 2013, the Corporation's governmental funds reported combined ending fund balances of $214,525,145, a decrease of $107,942,178 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $178,951,711 or 97.8% of total general fund expenditures.
- The Corporation's total debt, excluding capital leases, decreased by $11,673,643 or 5.2% during the current fiscal year. This reflects scheduled principal payments on outstanding bonds. The capital lease obligation increased by $445,536,000 or 97.6% in 2013. The due to local government decreased by $322,659,705 or 100% in 2013, as it moved into the capital lease category, upon completion of the hospital campus.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Health and Hospital Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements -** The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets, deferred outflows, liabilities, and deferred inflows with the difference between these financial statement elements being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Health and Hospital Corporation include those focused on public health: health improvement, communicable disease prevention, water quality and hazardous materials management, vector disease control, housing and neighborhood health, consumer and employee risk reduction, and administration and finance activities, including debt management. The business-type activities reflect the operations of Eskenazi Health, including a general acute care hospital, an outpatient care center, ten community health centers and the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS); and the Corporation's Long-Term Care operations (LT Care), consisting of a system of long-term care facilities throughout the State of Indiana.

The government-wide financial statements include only the Health and Hospital Corporation of Marion County, Indiana (known as the primary government), which includes Lions Insurance Company, a blended component unit established in 2006. Since the Corporation's Board is appointed, not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov), and the financial statements of the Corporation are included in the Comprehensive Annual Financial Report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds.

***Governmental Funds*** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

The Corporation adopts an annual appropriated budget for its General, Debt Service, and a portion of its Capital Projects Fund. Budgetary comparison statements have been provided for these three funds to demonstrate compliance with this budget.

***Proprietary Funds*** - The Corporation's proprietary fund consists of two enterprise funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The Corporation uses the enterprise fund to account for its Eskenazi Health Division (including Indianapolis EMS) and its LT Care Division.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of a budgetary comparison schedule for the General Fund. Also, budgetary schedules are provided for the Debt Service Fund and the Capital Projects Fund as other supplementary information.

## Financial Analysis of the Corporation as a Whole

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows exceeded liabilities and deferred inflows by $616,957,703 at December 31, 2013.

The Corporation's net position includes its investment in capital assets (e.g., land, buildings, machinery, and equipment,) plus restricted funds, less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position is a negative $222,576,951.

The Corporation's net position increased by $33,251,059, compared to $178,841,025 in 2012.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Assets** | | | | | | |
| Current and other assets | $ 359,476,641 | $ 412,606,686 | $ 337,587,308 | $ 312,480,374 | $ 697,063,949 | $ 725,087,060 |
| Capital assets, net of accumulated depreciation | 27,150,725 | 496,327,163 | 1,247,866,641 | 569,966,677 | 1,275,017,366 | 1,066,293,840 |
| Total Assets | 386,627,366 | 908,933,849 | 1,585,453,949 | 882,447,051 | 1,972,081,315 | 1,791,380,900 |
| **Deferred Outflows of Resources** | | | | | | |
| Deferred loss on refundings | 982,746 | - | - | - | 982,746 | - |
| **Liabilities** | | | | | | |
| Long-term liabilities | 698,905,178 | 561,246,809 | 464,868,090 | 494,716,847 | 1,163,773,268 | 1,055,963,656 |
| Other liabilities | 76,206,215 | 64,994,488 | 116,126,875 | 84,884,644 | 192,333,090 | 149,879,132 |
| Total Liabilities | 775,111,393 | 626,241,297 | 580,994,965 | 579,601,491 | 1,356,106,358 | 1,205,842,788 |
| **Net Position** | | | | | | |
| Net investment in capital assets | 12,505,823 | 10,475,308 | 825,154,250 | 121,146,628 | 837,660,073 | 131,621,936 |
| Restricted | 639,828 | - | 1,234,753 | - | 1,874,581 | - |
| Unrestricted | (400,646,932) | 272,217,244 | 178,069,981 | 181,698,932 | (222,576,951) | 453,916,176 |
| Total Net Position | $ (387,501,281) | $ 282,692,552 | $ 1,004,458,984 | $ 302,845,560 | $ 616,957,703 | $ 585,538,112 |

## Changes in Net Position

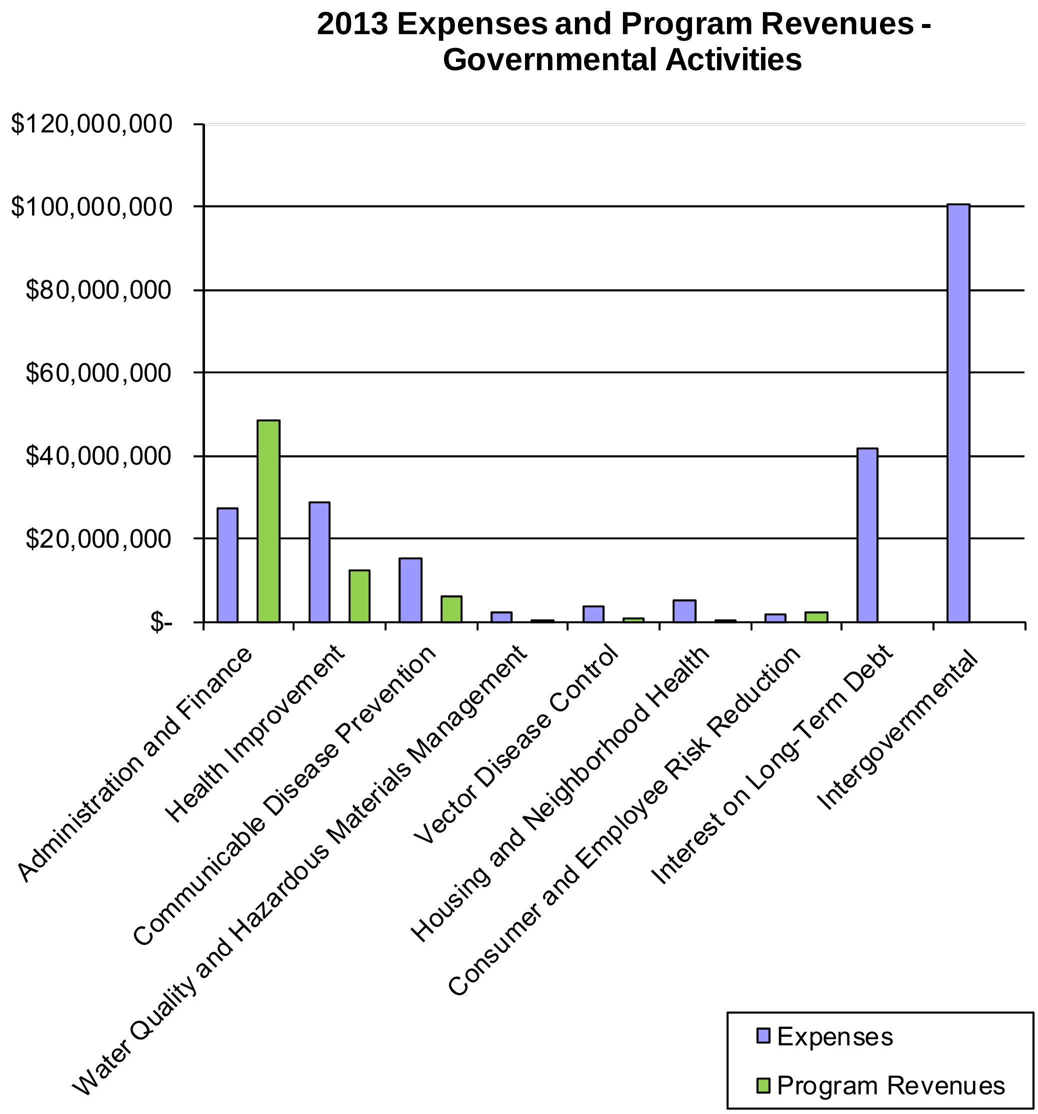
The Corporation's total revenue was $1,369,756,010 during the current fiscal year. Taxes represent 8.3% of the Corporation's revenue. Medicaid special revenue represents 4.7% of revenue, while 80.4 % of revenue came from fees charged for services. The remaining 6.6% came from grants and contributions, interest earnings, Build America Bond subsidies, and miscellaneous revenues.

The total cost of all programs and services was $1,336,504,951. This resulted in an increase in net position for the year of $33,251,059.

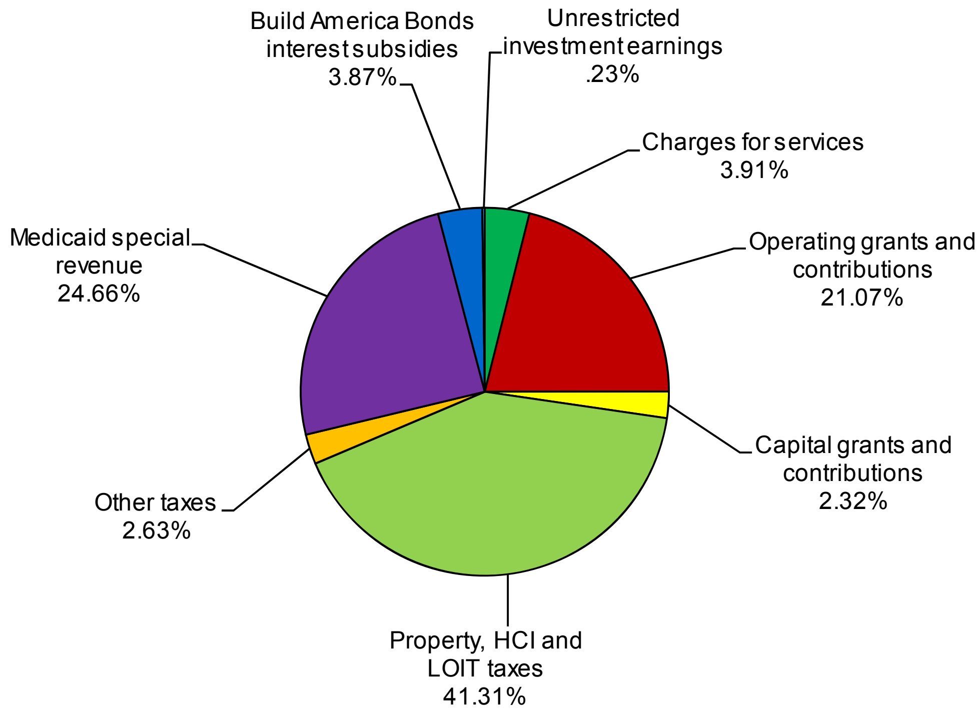
**Governmental activities -** Governmental activities decreased the Corporation's net position by $668,362,365 compared to the total $33,251,059 increase in net position of the Corporation. Medicaid special revenue decreased for the 2013 year. Capital grants and contributions received from Eskenazi Health Foundation for the new hospital decreased in 2013. Transfers were $700,662,007 (net), an increase of $654,299,270 from last year. The transfer increase reflects completing the new Eskenazi Health campus and moving Capital Projects Fund CIP into the Eskenazi Health Enterprise Fund.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 10,111,118 | $ 8,064,588 | $ 1,090,524,590 | $ 1,071,192,619 | $ 1,100,635,708 | $ 1,079,257,207 |
| Operating grants and contributions | 54,428,929 | 57,701,542 | 20,534,454 | 20,057,585 | 74,963,383 | 77,759,127 |
| Capital grants and contributions | 6,000,000 | 16,147,752 | 2,224,001 | - | 8,224,001 | 16,147,752 |
| General revenues | | | | | | |
| Property, HCI and local option income taxes | 106,708,214 | 105,627,906 | - | - | 106,708,214 | 105,627,906 |
| Other taxes | 6,805,198 | 6,837,900 | - | - | 6,805,198 | 6,837,900 |
| Medicaid special revenue | 63,708,066 | 168,169,564 | - | - | 63,708,066 | 168,169,564 |
| Build America Bonds interest subsidies | 9,985,273 | 10,847,662 | - | - | 9,985,273 | 10,847,662 |
| Unrestricted investment earnings (loss) | 579,543 | 356,401 | (1,853,376) | 1,451,428 | (1,273,833) | 1,807,829 |
| Total revenues | 258,326,341 | 373,753,315 | 1,111,429,669 | 1,092,701,632 | 1,369,756,010 | 1,466,454,947 |
| **Expenses** | | | | | | |
| Administration and finance | 27,170,818 | 27,704,061 | - | - | 27,170,818 | 27,704,061 |
| Health improvement | 28,527,781 | 29,487,312 | - | - | 28,527,781 | 29,487,312 |
| Communicable disease prevention | 15,219,997 | 13,909,736 | - | - | 15,219,997 | 13,909,736 |
| Water quality and hazardous material management | 2,075,886 | 1,984,465 | - | - | 2,075,886 | 1,984,465 |
| Vector disease control | 3,515,242 | 3,410,855 | - | - | 3,515,242 | 3,410,855 |
| Housing and neighborhood health | 5,224,148 | 6,365,433 | - | - | 5,224,148 | 6,365,433 |
| Consumer and employee risk reduction | 1,692,837 | 1,712,384 | - | - | 1,692,837 | 1,712,384 |
| Interest on long-term debt | 41,924,538 | 39,583,468 | - | - | 41,924,538 | 39,583,468 |
| Intergovernmental | 100,675,452 | 93,737,620 | - | - | 100,675,452 | 93,737,620 |
| Eskenazi Health | - | - | 538,714,684 | 520,310,998 | 538,714,684 | 520,310,998 |
| Long-term care | - | - | 571,763,568 | 549,407,590 | 571,763,568 | 549,407,590 |
| Total expenses | 226,026,699 | 217,895,334 | 1,110,478,252 | 1,069,718,588 | 1,336,504,951 | 1,287,613,922 |
| **Increase in Net Position Before Transfers** | 32,299,642 | 155,857,981 | 951,417 | 22,983,044 | 33,251,059 | 178,841,025 |
| **Transfers** | (700,662,007) | (46,362,737) | 700,662,007 | 46,362,737 | - | - |
| **Increase (Decrease) in Net Position** | (668,362,365) | 109,495,244 | 701,613,424 | 69,345,781 | 33,251,059 | 178,841,025 |
| **Net Position, Beginning of Year, Before Restatement** | 282,692,552 | 173,197,308 | 302,845,560 | 233,499,779 | 585,538,112 | 406,697,087 |
| **Adjustment for implementation of GASB 65** | (1,831,468) | - | - | - | (1,831,468) | - |
| **Net Position, Beginning of Year, After Restatement** | 280,861,084 | 173,197,308 | 302,845,560 | 233,499,779 | 583,706,644 | 406,697,087 |
| **Net Position, End of Year** | $ (387,501,281) | $ 282,692,552 | $ 1,004,458,984 | $ 302,845,560 | $ 616,957,703 | $ 585,538,112 |

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, as well as revenues by source. As shown, interest on long-term debt is the largest function in expense. General revenues such as property tax are not shown by program; but are included in the revenues by source chart to show their significance. Taxes are used to support program activities for the entire Corporation.



## 2013 Revenues by Source - Governmental Activities

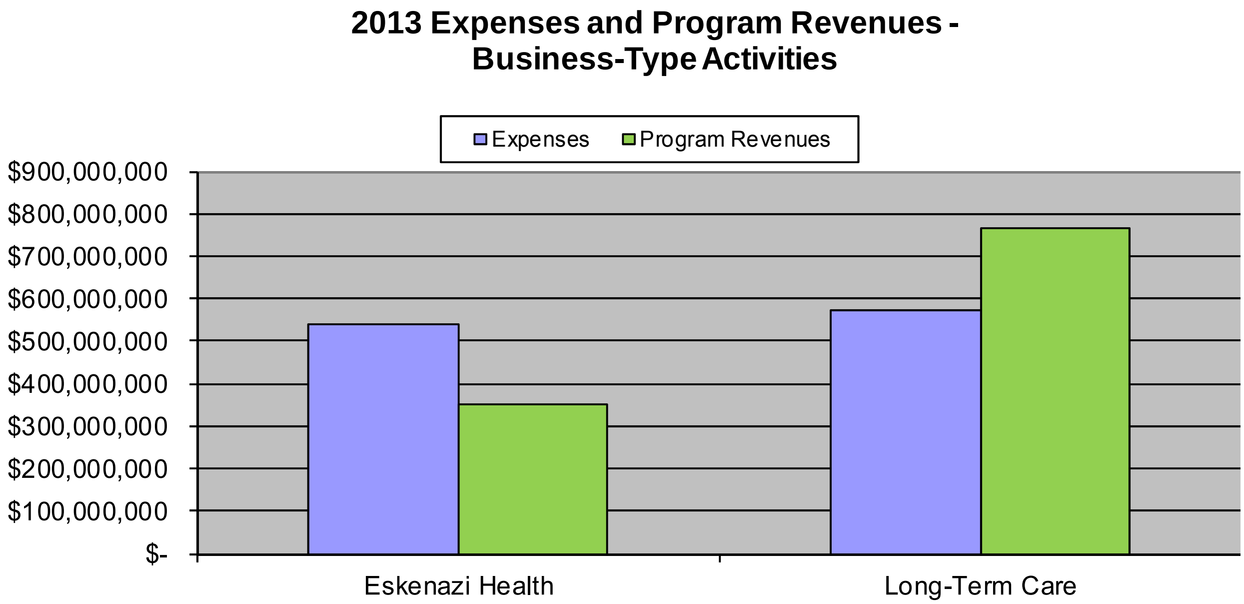


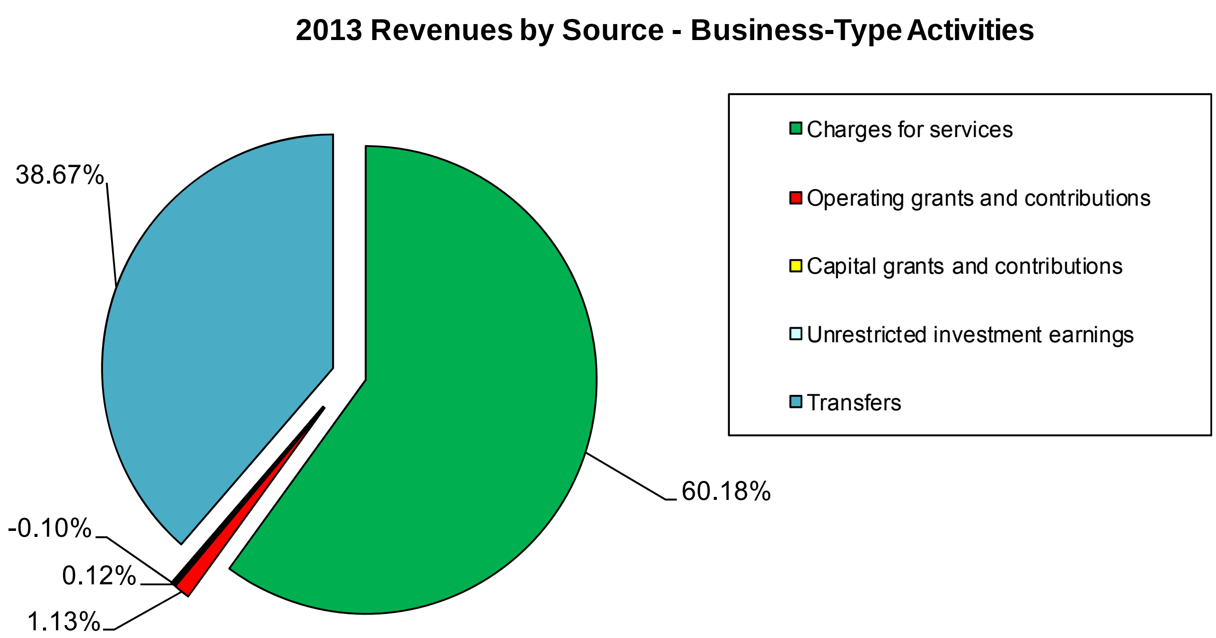

**Business-type activities** - Business-type activities increased the Corporation's net position by $701,613,424 compared to an increase of $69,345,781 in 2012.

Eskenazi Health's net position increased by $689,061,626 in the current year. Net position invested in capital assets increased by $704,677,378; increases in fixed assets totaled $745,073,302, which was offset by depreciation of $40,395,924. Current year depreciation included accelerated depreciation of $14,200,000 to write off assets in accordance with the remaining useful life of the former Wishard facility. Eskenazi Health's unrestricted net position decreased by $16,850,505. Operating revenues decreased by $54,032,273 due to a $61,590,894 decrease in net patient services revenue offset by a $42,000,000 increase in support and a $7,558,621 increase in other revenue. Operating expenses increased $18,400,000 due to cost inflation, staffing changes, increased cost of employee health insurance coverage, increased cost of the PERF retirement program, increased medical and professional fees and the increased depreciation expense noted above. Eskenazi Health incurred an operating loss of $211,882,965, which was offset by approximately $153,500,000 in transfers from the General Fund and approximately $20,534,454 in mental health grants from various agencies.

LT Care net position was $163,460,262, which was an increase of $12,551,798 over 2012. Operating revenues increased $73,364,244 due to increased Medicaid reimbursements and an increase in Medicaid special revenue. Operating expenses increased $25,898,683. This was primarily due to an increase in resident days from 2012 to 2013. LT Care has $3,815,951 in net investment in capital assets. All 59 facilities are recorded as capital leases under noncurrent assets.

The following charts provide a comparison of revenues and expenses, and revenues by source for the Corporation's business activities.



## Financial Analysis of the Corporation's Funds

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*** **-** The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of $214,525,145, a decrease of $107,942,178 in comparison with the prior year. Approximately 16.4% of this total amount, $35,172,762 constitutes restricted and assigned fund balance, which is related to capital outlays for the new hospital and money set aside for debt service. Approximately 83.4% of the total amount, or $178,951,711 is unassigned fund balance. The remaining .2% of fund balance is nonspendable.

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $178,951,711, while the total fund balance decreased to $180,302,716. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 97.8% of total general fund expenditures, while total fund balance represents 98.5% of that same amount.

The fund balance of the Corporation's General Fund decreased by $49,923,877 during the current fiscal year, in comparison to a $94,697,368 increase in 2012.

Intergovernmental revenue decreased as fewer medical education fees were received in 2013 vs. 2012. Medicaid special revenue decreased as a majority of 2013 settlement payments related to amounts accrued in the prior year. Expenses decreased as there were decreased capital expenditures and decreased grant expenditures. Transfers out reflect an increase in support to Eskenazi of $42,000,000 and an increase of $30,000,000 from prior year to cover new debt service payments and dollars transferred to the capital projects fund for the new hospital.

***Debt Service Fund*** - The Debt Service Fund has a fund balance of $16,828,020 compared to a fund balance of $16,047,207 in the prior year. The net increase in fund balance during the current year was $780,813. This increase reflects higher property tax revenues.

***Capital Projects Fund*** **-** The Capital Projects Fund has a total fund balance of $17,394,409. The net decrease in fund balance during the current year was $58,799,114 due to capital outlays related to the new hospital.

***Proprietary Funds*** - The Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of Eskenazi Health at the end of the year amounted to $18,425,670. Total net position for Eskenazi Health increased by $689,061,626. Other factors concerning the finances of Eskenazi Health have already been addressed in the discussion of the Corporation's business-type activities.

Unrestricted net position of LT Care at the end of the year was $159,644,311. The increase in net position was $12,551,798. Other information on LT Care operations can be found in the discussion of the Corporation's business-type activities.

## General Fund Budgetary Highlights

The original budget of $317,957,800 was increased during 2013 to $346,657,800. Personal services and supplies were increased while other charges and services were decreased. The final General Fund budget of $346,657,800 included $94,587,800 in expenditures and approximately $142,070,000 in transfers. Actual expenditures and transfers out were $340,194,134. Of the total underspending, $1,300,000 related to personal services, $1,300,000 to supplies, $2,800,000 to contractual services, and $1,200,000 to capital outlays. Underspending for all reflects potential year-end initiatives that did not occur. General revenues and other resources were estimated at $175,630,132 and actual was $205,092,417. Taxes collected were $3,600,000 over budget due to property and LOIT increase collections being higher than expected. Medicaid special revenue was $10,000,000 over budget as DSH final settlements of prior years offset increased in intergovernmental transfers for physician faculty and nursing facilities were larger than anticipated. Miscellaneous revenue was $13,000,000 over budget due to increased medical education revenue from IU Health.

## Capital Asset and Debt Administration

***Capital Assets*** **-** The Corporation's capital assets for its governmental and business-type activities as of December 31, 2013, amounts to $1,275,017,366 (net of accumulated depreciation), compared to $1,066,293,840 at the end of 2012. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2013 included the opening of the new Eskenazi Health Campus.

Additional information on the Corporation's capital assets can be found below and in Note 7 to the financial statements.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | $ 4,114,896 | $ 4,114,896 | $ 9,709,778 | $ 1,189,878 | $ 13,824,674 | $ 5,304,774 |
| Land improvements | - | - | 77,222,519 | 3,880,814 | 77,222,519 | 3,880,814 |
| Buildings and improvements | 15,966,362 | 17,115,876 | 1,013,413,556 | 493,671,162 | 1,029,379,918 | 510,787,038 |
| Equipment | 6,679,659 | 7,352,140 | 118,058,674 | 50,205,352 | 124,738,333 | 57,557,492 |
| Vehicles | 349,360 | 420,572 | 975,141 | 1,423,622 | 1,324,501 | 1,844,194 |
| Construction in progress | 40,448 | 467,323,679 | 28,486,973 | 19,595,849 | 28,527,421 | 486,919,528 |
| Total assets | $ 27,150,725 | $ 496,327,163 | $ 1,247,866,641 | $ 569,966,677 | $ 1,275,017,366 | $ 1,066,293,840 |

***Long-Term Debt*** **-** At the end of 2013, the Corporation had total general obligation debt outstanding of $212,855,330. Moody's Investors Service rates the Corporation's general obligation debt "Aa1".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is $228,057,328. Outstanding debt at December 31, 2013 represents 93% of this limit.

Additional information on the Corporation’s long-term debt can be found in Note 9 of this report.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| 1988 renovation bonds | $ 11,075,000 | $ 12,495,000 | $ - | $ - | $ 11,075,000 | $ 12,495,000 |
| 2005 general obligation bonds | 19,955,000 | 21,295,000 | - | - | 19,955,000 | 21,295,000 |
| 2010 general obligation bonds | 177,835,000 | 186,565,000 | - | - | 177,835,000 | 186,565,000 |
| Unamortized bond premiums | 3,990,330 | 4,173,973 | - | - | 3,990,330 | 4,173,973 |
| Due to local government | - | 322,659,705 | - | - | - | 322,659,705 |
| Capital leases | 479,131,290 | 7,487,632 | 422,712,391 | 448,820,049 | 901,843,681 | 456,307,681 |
| Total long-term debt | $ 691,986,620 | $ 554,676,310 | $ 422,712,391 | $ 448,820,049 | $ 1,114,699,011 | $ 1,003,496,359 |

## Economic Factors and Next Year's Budgets and Rates

The 2014 original budget for all annually budgeted funds is $376,035,934. No revisions have been made through September 2014. The 2014 General fund budget is $297,944,000 a 14% decrease from the 2013 final General fund budget of $346,657,800. The 2014 General fund expenditure budget is lower than 2013 which reflects lower funding required for the transfers to the capital projects fund for the new hospital project. The budget for the Corporation will continue to be challenged by increasing expenditures and declining revenue in the form of property tax caps.

## Requests for Information

This financial report is designed to provide a general overview of the Health and Hospital Corporation’s finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 3838 N. Rural, Indianapolis, Indiana, 46205.

# Basic Financial Statements

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Statement of Net Position
## December 31, 2013

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 242,377,716 | $ 125,282,295 | $ 367,660,011 |
| Investments | - | 1,790,375 | 1,790,375 |
| Receivables, net: | | | |
| Patient services | - | 87,308,914 | 87,308,914 |
| Medicaid special revenue | 29,913,037 | 49,378,733 | 79,291,770 |
| Grants | 4,954,484 | 6,702,463 | 11,656,947 |
| Interest | 1,326 | 9,211 | 10,537 |
| Other | 12,267,555 | 13,384,534 | 25,652,089 |
| Internal balances | 10,296,274 | (10,296,274) | - |
| Inventories | - | 4,907,704 | 4,907,704 |
| Estimated Medicare/Medicaid settlements | - | 1,212,214 | 1,212,214 |
| Prepaid costs and other assets | 400,672 | 8,558,746 | 8,959,418 |
| Restricted cash and cash equivalents | 9,294,972 | - | 9,294,972 |
| Restricted investments | 12,467,710 | - | 12,467,710 |
| Lease acquisition costs (net of accumulated amortization) | - | 28,255,513 | 28,255,513 |
| Joint venture investments | 37,502,895 | 16,329,885 | 53,832,780 |
| Other long-term assets | - | 4,762,995 | 4,762,995 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 4,114,896 | 9,709,778 | 13,824,674 |
| Land improvements | - | 77,222,519 | 77,222,519 |
| Buildings and improvements | 15,966,362 | 1,013,413,556 | 1,029,379,918 |
| Equipment | 6,679,659 | 118,058,674 | 124,738,333 |
| Vehicles | 349,360 | 975,141 | 1,324,501 |
| Construction in progress | 40,448 | 28,486,973 | 28,527,421 |
| Total assets | 386,627,366 | 1,585,453,949 | 1,972,081,315 |
| **Deferred Outflow of Resources** | | | |
| Deferred loss on refundings | 982,746 | - | 982,746 |
| **Liabilities** | | | |
| Accounts payable | 20,591,732 | 83,241,824 | 103,833,556 |
| Restricted accounts payable | 53,387,806 | - | 53,387,806 |
| Accrued liabilities | 1,418,266 | 27,990,472 | 29,408,738 |
| Unearned revenue | 808,411 | 1,234,753 | 2,043,164 |
| Estimated Medicare/Medicaid settlements | - | 150,077 | 150,077 |
| Medical claims incurred but not reported | - | 3,509,749 | 3,509,749 |
| Long-term liabilities | | | |
| Due within one year | 20,716,235 | 57,990,605 | 78,706,840 |
| Due in more than one year | 678,188,943 | 406,877,485 | 1,085,066,428 |
| Total liabilities | 775,111,393 | 580,994,965 | 1,356,106,358 |
| **Net Position** | | | |
| Net investment in capital assets | 12,505,823 | 825,154,250 | 837,660,073 |
| Restricted for: | | | |
| Health services | 639,828 | 1,234,753 | 1,874,581 |
| Unrestricted | (400,646,932) | 178,069,981 | (222,576,951) |
| Total net position | $ (387,501,281) | $ 1,004,458,984 | $ 616,957,703 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Statement of Activities
## For the Year Ended December 31, 2013

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **Governmental Activities** | | | | | | | |
| Administration and finance | $ 27,170,818 | $ 3,601,993 | $ 38,900,000 | $ 6,000,000 | $ 21,331,175 | $ - | $ 21,331,175 |
| Health improvement | 28,527,781 | 2,388,775 | 10,055,021 | - | (16,083,985) | - | (16,083,985) |
| Communicable disease prevention | 15,219,997 | 663,260 | 5,360,763 | - | (9,195,974) | - | (9,195,974) |
| Water quality and hazardous materials management | 2,075,886 | 356,682 | 83,453 | - | (1,635,751) | - | (1,635,751) |
| Vector disease control | 3,515,242 | 499,977 | - | - | (3,015,265) | - | (3,015,265) |
| Housing and neighborhood health | 5,224,148 | 417,448 | 29,692 | - | (4,777,008) | - | (4,777,008) |
| Consumer and employee risk reduction | 1,692,837 | 2,182,983 | - | - | 490,146 | - | 490,146 |
| Interest on long-term debt | 41,924,538 | - | - | - | (41,924,538) | - | (41,924,538) |
| Intergovernmental | 100,675,452 | - | - | - | (100,675,452) | - | (100,675,452) |
| Total governmental activities | 226,026,699 | 10,111,118 | 54,428,929 | 6,000,000 | (155,486,652) | - | (155,486,652) |
| **Business-Type Activities** | | | | | | | |
| Eskenazi Health | 538,714,684 | 326,831,719 | 20,534,454 | 2,224,001 | - | (189,124,510) | (189,124,510) |
| LT Care | 571,763,568 | 763,692,871 | - | - | - | 191,929,303 | 191,929,303 |
| Total business-type activities | 1,110,478,252 | 1,090,524,590 | 20,534,454 | 2,224,001 | - | 2,804,793 | 2,804,793 |
| Total | $ 1,336,504,951 | $ 1,100,635,708 | $ 74,963,383 | $ 8,224,001 | (155,486,652) | 2,804,793 | (152,681,859) |
| General revenues: | | | | | | | |
| Property and local option income taxes | | | | | 68,708,214 | - | 68,708,214 |
| HCI taxes from State of Indiana | | | | | 38,000,000 | - | 38,000,000 |
| Excise taxes | | | | | 5,518,410 | - | 5,518,410 |
| Financial institution taxes | | | | | 1,286,788 | - | 1,286,788 |
| Medicaid special revenue (unrestricted) | | | | | 63,708,066 | - | 63,708,066 |
| Build America Bonds interest subsidies | | | | | 9,985,273 | - | 9,985,273 |
| Unrestricted investment earnings | | | | | 579,543 | (1,853,376) | (1,273,833) |
| Transfers | | | | | (700,662,007) | 700,662,007 | - |
| Total general revenues and transfers | | | | | (512,875,713) | 698,808,631 | 185,932,918 |
| Change in net position | | | | | (668,362,365) | 701,613,424 | 33,251,059 |
| Net position, beginning of year, before restatement | | | | | 282,692,552 | 302,845,560 | 585,538,112 |
| Adjustment for implementation of GASB 65 | | | | | (1,831,468) | - | (1,831,468) |
| Net position - beginning of year, after restatement | | | | | 280,861,084 | 302,845,560 | 583,706,644 |
| Net position - end of year | | | | | $ (387,501,281) | $ 1,004,458,984 | $ 616,957,703 |

*See Notes to Basic Financial Statements*

# Health and Hospital Corporation of Marion County, Indiana
## (A Component Unit of the Consolidated City of Indianapolis - Marion County)
## Balance Sheet - Governmental Funds
## December 31, 2013

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 178,572,210 | $ 708,964 | $ 63,096,542 | $ 242,377,716 |
| Restricted cash and cash equivalents | - | 4,409,234 | 4,885,738 | 9,294,972 |
| Restricted investments | - | 11,709,822 | 757,888 | 12,467,710 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Grants | 5,005,555 | - | - | 5,005,555 |
| Medicaid special revenue | 29,913,037 | - | - | 29,913,037 |
| Other | 5,194,484 | 5,033,315 | 2,041,082 | 12,268,881 |
| Due from other funds | 16,417,979 | - | 965 | 16,418,944 |
| Prepaid costs and other assets | 400,672 | - | - | 400,672 |
| Total assets | $ 235,503,937 | $ 21,861,335 | $ 70,782,215 | $ 328,147,487 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 20,591,732 | $ - | $ 53,387,806 | $ 73,979,538 |
| Salaries and related benefits | 1,418,266 | - | - | 1,418,266 |
| Unearned revenue | 808,411 | - | - | 808,411 |
| Due to other funds | 1,140,426 | 5,033,315 | - | 6,173,741 |
| Accrued self-insurance claims | 412,085 | - | - | 412,085 |
| Total liabilities | 24,370,920 | 5,033,315 | 53,387,806 | 82,792,041 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenues | 30,830,301 | - | - | 30,830,301 |
| **Fund Balances** | | | | |
| Nonspendable | 400,672 | - | - | 400,672 |
| Restricted for debt service | - | 16,119,056 | - | 16,119,056 |
| Restricted for construction | - | - | 844,731 | 844,731 |
| Assigned | 950,333 | 708,964 | 16,549,678 | 18,208,975 |
| Unassigned | 178,951,711 | - | - | 178,951,711 |
| Total fund balances | 180,302,716 | 16,828,020 | 17,394,409 | 214,525,145 |
| Total liabilities, deferred inflows of resources and fund balances | $ 235,503,937 | $ 21,861,335 | $ 70,782,215 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the fund statements | 27,150,725 |
| Joint venture investments are not financial resources and, therefore, are not reported in the fund statements | 37,502,895 |
| Deferred inflows of resources not meeting availability criteria in fund statements are not in the statement of net position | 30,830,301 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements | (697,510,347) |
| Net position of governmental activities | $ (387,501,281) |

# Health and Hospital Corporation of Marion County, Indiana
## (A Component Unit of the Consolidated City of Indianapolis - Marion County)
## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
## For the Year Ended December 31, 2013

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 107,935,184 | $ 5,382,501 | $ 195,727 | $ 113,513,412 |
| Licenses and permits | 4,112,157 | - | - | 4,112,157 |
| Intergovernmental | 53,466,529 | - | - | 53,466,529 |
| Charges for services | 1,313,598 | - | - | 1,313,598 |
| Medicaid special revenue | 37,142,046 | - | - | 37,142,046 |
| Investment income | 75,830 | (1,307) | 95,020 | 169,543 |
| Build America Bonds interest subsidies | - | 9,985,273 | - | 9,985,273 |
| Contributions | - | - | 6,000,000 | 6,000,000 |
| Miscellaneous | 1,648,746 | - | 750,000 | 2,398,746 |
| Total revenues | 205,694,090 | 15,366,467 | 7,040,747 | 228,101,304 |
| **Expenditures** | | | | |
| Current: | | | | |
| Administrative | 25,135,125 | - | - | 25,135,125 |
| Population health | 24,776,381 | - | - | 24,776,381 |
| Environmental health | 12,332,885 | - | - | 12,332,885 |
| Health center program | 965,321 | - | - | 965,321 |
| Data processing | 3,555,788 | - | - | 3,555,788 |
| Grant programs | 14,697,183 | - | - | 14,697,183 |
| Capital outlays | 909,118 | - | 274,458,397 | 275,367,515 |
| Debt service: | | | | |
| Principal | - | 13,810,000 | - | 13,810,000 |
| Interest and fiscal charges | - | 41,924,538 | - | 41,924,538 |
| Intergovernmental | 100,675,452 | - | - | 100,675,452 |
| Total expenditures | 183,047,253 | 55,734,538 | 274,458,397 | 513,240,188 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 22,646,837 | (40,368,071) | (267,417,650) | (285,138,884) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 179,392,756 | 41,148,884 | 57,314,586 | 277,856,226 |
| Transfers out | (251,963,470) | - | - | (251,963,470) |
| Other debt issued | - | - | 151,303,950 | 151,303,950 |
| Total other financing sources and uses | (72,570,714) | 41,148,884 | 208,618,536 | 177,196,706 |
| Net change in fund balances | (49,923,877) | 780,813 | (58,799,114) | (107,942,178) |
| Fund balances - beginning of year | 230,226,593 | 16,047,207 | 76,193,523 | 322,467,323 |
| Fund balances - end of year | $ 180,302,716 | $ 16,828,020 | $ 17,394,409 | $ 214,525,145 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities For the Year Ended December 31, 2013

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net changes in fund balances - total governmental funds | $ (107,942,178) |
| Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities | (2,831,564) |
| Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position | 260,168,237 |
| Changes in joint venture investment are reported in the statement of net position but are not reported in the fund statements | 15,137,619 |
| Transfers of capital assets from governmental activities to the business type activities not shown in the fund statements | (726,554,763) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements | 30,245,032 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items | (137,452,302) |
| Compensated absences that do not require the use of current financial resources are not reported as expenditures in the fund statements | (165,823) |
| Asserted and unasserted self-insurance claims that do not require the use of current financial resources are not reported as expenditures in the fund statements | 147,041 |
| The increase in the net pension obligation is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities | 886,336 |
| Change in net position of governmental activities | $ (668,362,365) |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Statement of Net Position - Proprietary Funds
## December 31, 2013

| | Eskenazi Health | LT Care | Total |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 53,348,278 | $ 71,934,017 | $ 125,282,295 |
| Investments | 1,790,375 | - | 1,790,375 |
| Receivables (net of allowance for uncollectibles): | | | |
| Patient services | 33,394,427 | 53,914,487 | 87,308,914 |
| Medicaid special revenue | - | 49,378,733 | 49,378,733 |
| Grants | 6,651,392 | - | 6,651,392 |
| Interest | 9,211 | - | 9,211 |
| Other | 13,384,534 | - | 13,384,534 |
| Inventories | 4,907,704 | - | 4,907,704 |
| Estimated Medicare/Medicaid settlements | 1,212,214 | - | 1,212,214 |
| Due from other funds | 1,140,426 | - | 1,140,426 |
| Prepaid costs and other assets | 6,149,150 | 2,409,596 | 8,558,746 |
| Total current assets | 121,987,711 | 177,636,833 | 299,624,544 |
| Noncurrent assets: | | | |
| Lease acquisition cost (net of accumulated amortization) | - | 28,255,513 | 28,255,513 |
| Joint venture investments | 16,329,885 | - | 16,329,885 |
| Other long-term assets | - | 4,762,995 | 4,762,995 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 9,709,778 | - | 9,709,778 |
| Land improvements | 74,139,161 | 3,083,358 | 77,222,519 |
| Building and improvements | 621,651,130 | 391,762,426 | 1,013,413,556 |
| Equipment | 87,909,130 | 30,149,544 | 118,058,674 |
| Vehicles | 973,767 | 1,374 | 975,141 |
| Construction in progress | 26,955,333 | 1,531,640 | 28,486,973 |
| Total capital assets (net accumulated depreciation) | 821,338,299 | 426,528,342 | 1,247,866,641 |
| Total noncurrent assets | 837,668,184 | 459,546,850 | 1,297,215,034 |
| Total assets | 959,655,895 | 637,183,683 | 1,596,839,578 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | 59,435,793 | 23,806,031 | 83,241,824 |
| Accrued liabilities | 11,568,550 | 16,421,922 | 27,990,472 |
| Due to other funds | 11,385,629 | - | 11,385,629 |
| Capital lease obligation - current | - | 30,809,258 | 30,809,258 |
| Estimated Medicare/Medicaid settlements | - | 150,077 | 150,077 |
| Unearned revenue | 1,234,753 | - | 1,234,753 |
| Medical claims incurred but not reported | 3,509,749 | - | 3,509,749 |
| Accrued compensated absences - current | 19,236,465 | - | 19,236,465 |
| Asserted and unasserted self-insurance claims - current | 4,857,660 | 3,087,222 | 7,944,882 |
| Total current liabilities | 111,228,599 | 74,274,510 | 185,503,109 |
| Noncurrent liabilities: | | | |
| Asserted and unasserted self-insurance claims | 3,953,215 | 7,545,778 | 11,498,993 |
| Accrued compensated absences | 2,623,154 | - | 2,623,154 |
| Net pension liability | 852,205 | - | 852,205 |
| Capital lease payable | - | 391,903,133 | 391,903,133 |
| Total noncurrent liabilities | 7,428,574 | 399,448,911 | 406,877,485 |
| Total liabilities | 118,657,173 | 473,723,421 | 592,380,594 |
| **Net Position** | | | |
| Net investment in capital assets | 821,338,299 | 3,815,951 | 825,154,250 |
| Restricted for health services | 1,234,753 | - | 1,234,753 |
| Unrestricted | 18,425,670 | 159,644,311 | 178,069,981 |
| Total net position | $ 840,998,722 | $ 163,460,262 | $ 1,004,458,984 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds

## For the Year Ended December 31, 2013

| | Eskenazi Health | LT Care | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Net patient service revenue | $ 301,210,198 | $ 563,194,830 | $ 864,405,028 |
| Medicaid special revenue | - | 198,664,337 | 198,664,337 |
| Other revenue | 25,621,521 | 1,833,704 | 27,455,225 |
| Total operating revenues | 326,831,719 | 763,692,871 | 1,090,524,590 |
| Operating expenses: | | | |
| Salaries | 205,700,914 | - | 205,700,914 |
| Employee benefits | 61,386,589 | - | 61,386,589 |
| Contract labor | 1,029,942 | 290,266,327 | 291,296,269 |
| Medical and professional fees | 80,140,278 | 29,218,763 | 109,359,041 |
| Purchased services | 31,894,655 | 39,273,804 | 71,168,459 |
| Supplies | 47,235,273 | 42,250,420 | 89,485,693 |
| Pharmaceuticals | 36,145,734 | 25,296,805 | 61,442,539 |
| Repairs and maintenance | 5,164,408 | 3,282,262 | 8,446,670 |
| Utilities | 10,150,748 | 12,826,904 | 22,977,652 |
| Equipment rental | 5,084,345 | 4,880,304 | 9,964,649 |
| Depreciation and amortization | 40,395,924 | 59,678,764 | 100,074,688 |
| Hospital assessment fee | 6,180,714 | - | 6,180,714 |
| Other | 8,205,160 | 27,058,818 | 35,263,978 |
| Total operating expenses | 538,714,684 | 534,033,171 | 1,072,747,855 |
| Operating income (loss) | (211,882,965) | 229,659,700 | 17,776,735 |
| Nonoperating revenue (expenses): | | | |
| Noncapital gifts and grants | 20,534,454 | - | 20,534,454 |
| Loss on termination of lease | - | (512,731) | (512,731) |
| Investment income (loss) | (1,868,627) | 15,251 | (1,853,376) |
| Interest expense | - | (37,217,666) | (37,217,666) |
| Total nonoperating revenue (expense) | 18,665,827 | (37,715,146) | (19,049,319) |
| Income (loss) before capital contributions and transfers | (193,217,138) | 191,944,554 | (1,272,584) |
| Capital contributions | 728,778,764 | - | 728,778,764 |
| Transfers - General Fund | 153,500,000 | (179,392,756) | (25,892,756) |
| Changes in net position | 689,061,626 | 12,551,798 | 701,613,424 |
| Total net position at beginning of year | 151,937,096 | 150,908,464 | 302,845,560 |
| Total net position at end of the year | $ 840,998,722 | $ 163,460,262 | $ 1,004,458,984 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Statement of Cash Flows - Proprietary Funds
## For the Year Ended December 31, 2013

| | Eskenazi Health | LT Care | Total |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Receipts from patient services | $ 302,525,462 | $ 558,043,042 | $ 860,568,504 |
| Receipts from other operations | 14,159,800 | 1,833,704 | 15,993,504 |
| Medicaid special revenue | - | 184,999,782 | 184,999,782 |
| Payments to suppliers | (205,558,867) | (107,837,053) | (313,395,920) |
| Payments to employees and contract labor | (261,318,927) | (360,216,191) | (621,535,118) |
| Net cash provided by (used in) operating activities | (150,192,532) | 276,823,284 | 126,630,752 |
| **Cash Flows From Noncapital Financing Activities** | | | |
| Cash receipts from noncapital gifts and grants | 19,173,257 | - | 19,173,257 |
| Transfers to the General Fund | - | (179,392,756) | (179,392,756) |
| Transfers from the General Fund | 153,500,000 | - | 153,500,000 |
| Net cash provided by (used in) noncapital financing activities | 172,673,257 | (179,392,756) | (6,719,499) |
| **Cash Flows From Capital and Related Financing Activities** | | | |
| Purchases of capital assets | (18,518,538) | (27,995,208) | (46,513,746) |
| Deposits paid | - | (1,150,000) | (1,150,000) |
| Deposits returned | - | 9,392,167 | 9,392,167 |
| Lease acquisition cost payments | | | - |
| Lease termination costs | - | (512,731) | (512,731) |
| Payment of capital lease obligations | - | (27,259,011) | (27,259,011) |
| Contributions restricted for fixed asset purchase | 2,224,000 | - | 2,224,000 |
| Interest expense payments | - | (37,217,666) | (37,217,666) |
| Net cash used in capital and related financing activities | (16,294,538) | (84,742,449) | (101,036,987) |
| **Cash Flows From Investing Activities** | | | |
| Proceeds from sale and maturities of investments | 2,934,032 | - | 2,934,032 |
| Purchases of investments | (247,268) | - | (247,268) |
| Interest and dividends received | 60,901 | 15,251 | 76,152 |
| Net cash provided by investing activities | 2,747,665 | 15,251 | 2,762,916 |
| **Net Increase in Cash and Cash Equivalents** | 8,933,852 | 12,703,330 | 21,637,182 |
| **Cash and Cash Equivalents (Including Restricted), January 1** | 44,414,426 | 59,230,687 | 103,645,113 |
| **Cash and Cash Equivalents (Including Restricted), December 31** | $ 53,348,278 | $ 71,934,017 | $ 125,282,295 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:** | | | |
| Operating income (loss) | $ (211,882,965) | $ 229,659,700 | $ 17,776,735 |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 40,395,924 | 59,678,764 | 100,074,688 |
| Changes in operating assets and liabilities: | | | |
| Patient service receivables | 4,896,369 | (6,665,144) | (1,768,775) |
| Other receivables | (11,461,722) | (13,664,555) | (25,126,277) |
| Inventories | (1,059,992) | - | (1,059,992) |
| Prepaid costs and other assets | 9,220 | (16,401) | (7,181) |
| Net pension asset/liability | (4,327,407) | - | (4,327,407) |
| Accounts payable | 24,682,607 | 990,702 | 25,673,309 |
| Accrued liabilities and compensation absences | 11,075,283 | 5,500,778 | 16,576,061 |
| Estimated Medicare/Medicaid settlements | (1,958,726) | 1,513,356 | (445,370) |
| Asserted and unasserted self-insurance claims | (819,103) | (173,916) | (993,019) |
| Medical claims incurred but not reported | 257,980 | - | 257,980 |
| Total adjustments | 61,690,433 | 47,163,584 | 108,854,017 |
| Net cash provided by (used in) operating activities | $ (150,192,532) | $ 276,823,284 | $ 126,630,752 |
| Noncash investing, capital and financing activities: | | | |
| Lease acquisition costs included in accounts payable | $ - | $ 468,000 | $ 468,000 |
| Purchase of assets held under capital lease, including lease revisions | - | 1,151,353 | 1,151,353 |
| Transfer of capital assets from the General Fund | 726,554,764 | - | 726,554,764 |
| Decrease in carrying value of joint venture investment | 1,817,868 | - | 1,817,868 |
| Unrealized loss on investment, net | 111,660 | - | 111,660 |

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

### *Financial Reporting Entity*

The Health and Hospital Corporation of Marion County, Indiana (Corporation) was created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. The Corporation is a municipal corporation and a political subdivision of the State of Indiana under Indiana Code §16-22-8-6, §6-1.1-1-12 and §36-1-2-23.

The Corporation's duties include the administration of the Divisions of Public Health and Public Hospitals. The Division of Public Health does business as the Marion County Public Health Department (MCPHD), and the Division of Public Hospitals does business as Eskenazi Health (formerly, Wishard Health Services). Overall, the Corporation operates three service divisions: MCPHD, Eskenazi Health and a Long-Term Care (LT Care) operation.

The MCPHD operates two service bureaus, which provide preventive and diagnostic health programs, health education, immunization and epidemiological programs, environmental health regulation, and code enforcement. The MCPHD division is accounted for using governmental funds.

Eskenazi Health is comprised of the Sidney and Lois Eskenazi Hospital, a 315 bed general acute care hospital; the Eskenazi Health Outpatient Care Center, an outpatient specialty care facility co-located with the Hospital; the Eskenazi Health Center, a Federal Qualified Health Center (FQHC) that operates ten primary care centers throughout Marion County; Midtown Community Mental Health, a Community Mental Health Center (CMHC) that provides behavioral health services throughout Marion County; and Indianapolis EMS (IEMS), the county-wide emergency ambulance service. Eskenazi Health is the only public hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association.

On December 26, 2010, the Corporation entered into an interlocal agreement with the Department of Public Safety for the City of Indianapolis to own, manage and operate the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS). The activities of Indianapolis EMS are therefore included in the Eskenazi Health division. For purposes of financial reporting, the Eskenazi Health division is accounted for as a separate enterprise fund.

The Corporation operates 59 long-term care facilities through capital leases. The homes are operated as part of the LT Care operations. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. For purposes of financial reporting, the LT Care division is accounted for as a separate enterprise fund.

The Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Accordingly, the financial statements of the Corporation are required to be included in the comprehensive annual financial report of Uni-Gov.

The Corporation is governed by a seven-member Board of Trustees, appointed by the Mayor of Indianapolis (3), Commissioners of Marion County (2) and City-County Council (2). Of those members appointed by the City-County Council, one serves a two-year term, and one serves a four-year term. All other appointments serve a term of four years. The Board of Trustees is bi-partisan by statute. The Corporation is responsible for all of its fiscal matters including budget (subject to the final authority of the City-County Council and the State of Indiana Department of Local Government Finance (DLGF), operating deficits and debt. The Corporation's executive and legislative powers include the power to levy taxes and incur debt. The Corporation's ordinances have the effect of local law governing health matters.

**Component Unit**

The Corporation has established a nonprofit entity, Lions Insurance Company, Inc. (Lions), which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the LT Care Enterprise Fund because its primary purpose is to provide services solely to the LT Care Enterprise Fund. Complete financial statements for Lions may be obtained from Health and Hospital Corporation at 3838 N. Rural Street, Indianapolis, Indiana 46205.

### *Financial Statement Presentation, Measurement Focus and Basis of Accounting*

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Corporation. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Following the government-wide financial statements are separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Corporation has determined that all governmental funds are considered major funds. The total fund balances for all governmental funds are reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balances for all governmental funds is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. As mentioned previously, the Corporation has two enterprise funds (business-type activities), Eskenazi Health and LT Care, which are also considered major funds.

The fund financial statements of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net position, revenues, and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by fund type in the basic financial statements. The following fund types are used by the Corporation:

**Governmental Fund Types**

Governmental funds are those through which most governmental functions are financed. The Corporation reports the following governmental funds:

The following are the Corporation's major governmental funds:

**The General Fund** is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, including grants, except those required to be accounted for in another fund.

**The Debt Service Fund** is used to account for and report the accumulation of financial resources that are restricted, committed or assigned to expenditure for principal, interest and related costs on outstanding general obligation bond and other long-term debt of the Corporation’s governmental activities. Debt service requirements are generally funded from other operating revenues and ad valorem taxes.

**The Capital Projects Fund** is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Such resources are derived principally from general obligation bonds, capital lease obligations and ad valorem taxes.

**Proprietary Fund Type**

Proprietary funds are used to account for activities that are similar to those found in the private sector.

As mentioned previously, the Corporation has two enterprise funds: (1) the Eskenazi Health Enterprise Fund, which accounts for the activities of Eskenazi Health (including Indianapolis EMS) and (2) the LT Care Enterprise Fund, which accounts for the activities of the 59 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Eskenazi Health and LT Care are accounted for by the General Fund. Because the capital outlay for Eskenazi Health is funded through ad valorem taxes, long-term debt interest expense relating to Eskenazi Health is accounted for by the Debt Service Fund and is not allocated to the Eskenazi Health Enterprise Fund. Only debt intended to be repaid by operations of Eskenazi Health are included in the Eskenazi Enterprise Fund. At December 31, 2013, no such debt existed. At December 31, 2013, the LT Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the LT Care Enterprise Fund.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year the levy and tax rates are certified. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the Corporation considers revenue to be available if collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, (GASB 33), groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions.

In the governmental fund statements, the Corporation recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred in the fund financial statement. Resources received in advance are reported as unearned revenues until the period of the exchange in both the government-wide and fund financial statements.

The Corporation recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Corporation recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period in which the tax levy and rates are certified. Imposed nonexchange revenues also include permits.

Voluntary nonexchange transactions, such as grants and assistance received from other governmental units and Build America Bonds interest subsidies, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

Government-mandated nonexchange transactions are accounted for in the same manner as voluntary nonexchange transactions.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting for proprietary fund types, revenues are recognized in the period earned and expenses are recognized in the period incurred. Patient services accounts receivable and revenue are recorded at standard billing rates, net of contractual adjustments, when patient services are performed. Eskenazi Health and LT Care provide services under the Medicare and Medicaid programs for which they may be reimbursed at amounts different from the standard billing rates. Amounts reimbursed or estimated to be reimbursed by these programs are generally determined in accordance with a prospective price-per-case payment system or under the provisions of cost-reimbursement formulas. In addition, Eskenazi Health and LT Care provide services in accordance with various contractual agreements entered into with state and local governmental agencies and other third-party health insurance companies.

The differences between standard billing rates and the amount reimbursed or estimated to be reimbursed by Medicare, Medicaid and other contractual payers are included in the financial statements as contractual adjustments. Patient accounts receivable for services provided under contractual arrangements are also adjusted to reflect these differences.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services for Eskenazi Health and LT Care are considered to be operating activities and are reported as operating revenue and operating expenses. Intergovernmental revenues, investment income, interest expense, and peripheral or incidental transactions are reported as nonoperating revenue and expenses. Other changes in net position that are excluded from operating income (loss) principally consist of contributions of capital assets funded by governmental activities, grantors and donors.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

### *Cash, Cash Equivalents and Investments*

The Corporation’s cash and cash equivalents (including those that are restricted) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of purchase.

Investments for the Corporation are reported at fair value. The Corporation also invests in an external investment pool held by the State of Indiana. Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, the portfolio securities are valued at amortized cost, which approximates fair value. The amortized cost valuation methods involve initially valuing a security at its cost on the date of purchase and thereafter accreting to maturity and discount or amortizing to maturity any premium. The Corporation records its investment in the external pool at its share value. The Indiana Treasurer of State has been designated by State statute as the administrator of the pool and has general oversight over the daily operation of the pool.

### *Receivables and Payables*

In the fund financial statements, all outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All receivables are shown, net of an allowance, if any, for uncollectible balances.

### *Inventories*

Purchases of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such governmental funds are immaterial. For the enterprise fund type, pharmaceutical inventories of the Eskenazi Health Enterprise Fund are determined by physical count of items on hand and are priced at weighted-average cost or at fair value, whichever is less. Inventory in the LT Care Fund is immaterial.

### *Prepaid Costs and Other Assets*

Prepaid costs and other assets for the governmental funds include prepaid insurance, and other miscellaneous assets. Prepaid costs and other assets of the proprietary fund consist of prepaid insurance, prepaid service contracts, prepaid rent and other miscellaneous assets.

### *Capital Assets*

Capital assets, which include buildings, improvements, equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements and within the proprietary fund financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the estimated useful life of the asset are not capitalized.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Assets held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Estimated useful lives used to compute depreciation are as follows:

| | Years |
|---|---|
| Building and improvements | 10 - 50 |
| Equipment | 5 - 20 |
| Vehicles | 4 |

### *Capitalization of Interest*

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental fund types. During 2013, there was no interest capitalized.

### *Other Long-Term Assets*

Other long-term assets consist of deposits made related to the leasing of nursing homes. The deposits will be returned in full if the leased buildings are returned in an acceptable condition by the holder of the deposit at the end of the respective lease terms.

### *Deferred Outflows and Inflows of Resources*

The Corporation defers recognition of losses incurred on bond refundings and reports such losses as deferred outflows of resources in the government-wide statement of net position. Deferred losses on refundings are amortized using the effective interest method over the lesser of the remaining life of the original bonds or the life of the new bonds.

Deferred inflows of resources are reported in the fund financial statements for receivables that are not considered available at year-end or for which eligibility requirements have not been met.

### *Unearned Revenue*

Unearned revenue is reported in the government-wide financial and enterprise fund statements. The availability period does not apply; however, amounts may not be earned due to eligibility requirements or other reasons.

### *Accrued Compensated Absences*

Corporation employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and other absences are accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. A liability for the cost of accumulated earned but unused vacation and other absences is recognized in the government-wide statements and in the statement of net position of the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums are recorded as an addition to the associated debt obligation and are amortized over the term of the respective bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt are reported as other financing uses, while issuance costs, whether or not withheld from the actual debt proceeds received, and repayments of principal and interest are reported as debt service expenditures.

### *Lease Acquisition Costs*

The Corporation allocates the purchase price of properties acquired under capital leases to net tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (primarily equipment) is based upon management's determination of the value of the property. The remaining purchase price is allocated to lease acquisition costs. These costs are amortized over the life of the related lease.

### *Interfund Transactions*

In the fund financial statements, the Corporation has the following types of transactions among funds:

**Transfers**

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

**Contribution of Capital Assets**

The General and Capital Project Funds make contributions of capital assets to the Eskenazi Health Enterprise Fund from time to time. The enterprise fund reports these transactions as capital contributions; however, the General or Capital Project Funds do not report the event because there has been no flow of current financial resources for the governmental fund statements other than the expenditures incurred during the year on capital outlay. In the government-wide statement of activities, both sides of the capital asset transfer are reported as transfers.

**Interfund Services Provided/Used**

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the Corporation.

Within the statement of activities, direct expenses are not eliminated from the various functional categories. However, indirect expenses are eliminated from the various functional categories.

Certain internal payments are treated as a reduction of expense, such as reimbursements. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

### *Net Position/Fund Balances*

The government-wide and proprietary fund financial statements utilize a net position presentation. The components of net position are categorized as follows:

- *Net investment in capital assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Governmental activities debt related to business-type activities is not recorded in this category; rather, this debt is included in unrestricted net position.
- *Restricted* - This category represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This category represents resources of the Corporation not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance classifications reflect a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Corporation's fund balances include the following:

- **Nonspendable fund balances** include amounts that cannot be spent because they are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balances** are reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balances** represent resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Trustees, whereby such constraints can only be modified through formal action (by ordinance) of the Board of Trustees.
- **Assigned fund balances** include resources for which it is the intent of the Corporation, through action of the President or Treasurer/CFO, that they be used for specific purposes. The Board of Trustees has by ordinance authorized such individuals to assign fund balances. Such constraints can be modified or rescinded without formal action of the Board of Trustees as long as they do not result in an additional budgetary appropriation.
- **Unassigned fund balances** represent the residual portion of the General Fund that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

The Corporation's policy is to apply expenditures to restricted resources first, then committed, then assigned, and finally to unassigned, as applicable.

### *Indigent Care Services*

Under Indiana Code (§16-22-8-39), the services provided by Eskenazi Health are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits. Certain services to patients are classified as indigent care based on established policies of Eskenazi Health. Because Eskenazi Health does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

Eskenazi Health maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges forgone for services and supplies furnished under its indigent care policy.

### *Net Patient Service Revenue*

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as amounts are no longer subject to such audits and reviews.

### *New Accounting Standards*

During 2013, the Corporation adopted GASB No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This statement had no impact on the Corporation's net position, changes in net position or financial reporting disclosures.

Also during 2013, the Corporation adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources and recognizes as expenses and revenues certain items that were previously reported as assets and liabilities. In addition, this statement changes the method of accounting for debt issuance costs. Prior to 2013, the Corporation reported debt issuance costs as deferred charges, which were capitalized and amortized over the life of the related debt. Under GASB Statement No. 65, debt issuance costs are to be expensed in the period incurred. Implementation of GASB Statement No. 65 resulted in the reduction of previously reported net position by $1,831,468 for the retrospective removal of these debt issuance costs. Additionally, the deferred loss on refunding of $982,746 was reclassified from liabilities to deferred outflows of resources in the statement of net position and $30,830,301 of deferred revenues were reclassified to deferred inflows of resources in the governmental funds balance sheet.

## Note 2: Deposits and Investments

As of December 31, 2013, the Corporation had the following cash deposits and investments:

| | |
|---|---|
| Cash deposits | $ 276,329,872 |
| Negotiable certificates of deposit | 1,212,536 |
| Repurchase agreements | 11,040,788 |
| State external investment pool | 79,769,907 |
| U.S. Government-sponsored enterprises | 12,172,617 |
| Money market mutual funds | 10,687,348 |
| | $ 391,213,068 |

Deposits and investment securities included in the statement of net position are classified as follows:

| | 2013 |
|---|---|
| Carrying value | |
| Deposits | $ 276,329,872 |
| Investments | 114,883,196 |
| | $ 391,213,068 |
| Cash and cash equivalents | |
| Unrestricted | $ 367,660,011 |
| Restricted | 9,294,972 |
| | 376,954,983 |
| Investments | |
| Unrestricted | 1,790,375 |
| Restricted | 12,467,710 |
| | $ 391,213,068 |

### *Deposits*

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

The Corporation's cash deposits are insured up to $250,000 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the $250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

### *Investments*

Indiana statutes authorize the Corporation to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Treasury or U.S. agency obligations, certificates of deposit and open-end money market mutual funds.

### *Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Corporation's investment policy for interest rate risk requires investments to be invested in a prudent manner to achieve maximum yield return available from approved government obligations with due regard to the specific purpose for which the funds are intended and needed. The Corporation's self-insurance trust for general and professional liability and workers' compensation is not subject to such limitations.

Below is a table of segmented time distribution for the Corporation's debt investments at December 31, 2013:

| | | Investment Activities (in years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| Repurchase agreements | $ 11,040,788 | $ 11,040,788 | $ - | $ - | $ - |
| State external investment pool | 79,769,907 | 79,769,907 | - | - | - |
| U.S. Government-sponsored enterprises | 12,172,617 | 3,806,182 | 8,184,579 | 104,302 | 77,554 |
| Money market mutual funds | 10,687,348 | 10,687,348 | - | - | - |
| | $ 113,670,660 | $ 105,304,225 | $ 8,184,579 | $ 104,302 | $ 77,554 |

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policy for credit risk requires compliance with the provisions of Indiana statutes. Further, Indiana Code Section 5-13-9-2.5 requires that if the Corporation invests in money market mutual funds that the underlying securities be rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service.

At December 31, 2013, the Corporation's investments were rated by Standard & Poor's or Moody's as follows:

| | Fair Value | AAA/Aaa | Aa | A | Not Rated |
|---|---|---|---|---|---|
| Repurchase agreements | $ 11,040,788 | $ 11,040,788 | $ - | $ - | $ - |
| State external investment pool | 79,769,907 | - | - | - | 79,769,907 |
| U.S. Government-sponsored enterprises | 12,172,617 | 9,382,951 | 2,789,666 | - | - |
| Money market mutual funds | 10,687,348 | 10,687,348 | - | - | - |
| | $ 113,670,660 | $ 31,111,087 | $ 2,789,666 | $ - | $ 79,769,907 |

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2013, all of the Corporation's investments in U.S. Government-sponsored enterprises were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent but not in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2013, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

### Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2013, 5% or more of the Corporation's investments are in repurchase agreements with PNC Bank and Federal Home Loan Mortgage Corporation securities. These investments represent 5.7% and 8.7%, respectively, of the Corporation's total investments.

### *Foreign Currency Risk*

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Corporation's investment policy prohibits investments in foreign investments.

### *Investment Income (Loss)*

Investment income (loss) for the year ended December 31, 2013 consisted of:

| | Governmental Fund-Types | Proprietary Fund-Types |
|---|---|---|
| Interest income | $ 848,997 | $ 76,152 |
| Increase (decrease) in value of joint venture investment | 410,000 | (1,817,868) |
| Unrealized loss on investments, net | (679,454) | (111,660) |
| Investment income (loss) | $ 579,543 | $ (1,853,376) |

## Note 3: Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Marion County Treasurer. On or before August 1 each year, the Marion County Auditor must submit to each underlying taxing unit a statement of (i) the estimated assessed value of the taxing unit as of March 1 of that year, and (ii) an estimate of the taxes to be distributed to the taxing unit during the last six months of the current budget year. The estimated value is based on property tax lists delivered to the Marion County Auditor by the Marion County Assessor on or before July 1.

The estimated value is used when the Corporation's Board meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. The budget, tax rates and levy must be adopted no later than November 1. The budget, tax levy and tax rate are subject to review and revision by the Indiana Department of Local Government Finance (the "DLGF") which, under certain circumstances, may revise, reduce or increase the budget, tax rate, or levy of the Corporation. The DLGF may increase the tax rate and levy if the tax rate and levy proposed by the Corporation is not sufficient to make its debt service or lease rental payments. The DLGF must complete its actions on or before February 15 of the year following the property tax assessment.

Taxes are distributed by the Marion County Auditor to the Corporation by June 30 and December 31 of each year. The Corporation can request advances of its share of collected taxes from the Marion County Treasurer once the levy and tax rates are certified by the DLGF.

As noted above, the assessment (or lien) date for Indiana property taxes is March 1 of each year; however, the Corporation does not recognize a receivable on the assessment date since the amount of property taxes to be collected cannot be measured until the levy and tax rates are certified in the subsequent year.

Typically, property tax bills are mailed in April and October of each year and are due and payable by the property owners in May (spring) and November (fall), respectively. Property tax billings are considered delinquent if they are not paid by the respective due date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Appeals may be filed within 45 days following the date the bills are mailed.

Changes in assessed values of real property occur periodically as a result of general reassessments required by the State legislature, as well as when changes occur in the property value due to new construction or demolition of improvements.

The Corporation allocates property tax revenues, as considered necessary, to fund public health programs and provide care for the indigent.

## Note 4: Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2013:

| | Eskenazi Health | LT Care | Total |
|---|---|---|---|
| Gross patient services receivables | $ 217,953,057 | $ 59,547,518 | $ 277,500,575 |
| Allowance for estimated contractual adjustment | (116,899,347) | - | (116,899,347) |
| Allowance for uncollectible accounts | (67,659,283) | (5,633,031) | (73,292,314) |
| Net patient services receivables | $ 33,394,427 | $ 53,914,487 | $ 87,308,914 |

## Note 5: Interfund Balances and Transfers

Individual due to/from other funds as of December 31, 2013 are as follows:

| Interfund Receivables | Interfund Payables | Amount |
|---|---|---|
| General Fund | Debt Service Fund | $ 5,033,315 |
| General Fund | Eskenazi Health Fund | 11,385,629 |
| Eskenazi Health Fund | General Fund | 1,140,426 |
| Capital Projects Fund | General Fund | 965 |

These interfund balances are due to the time lag between the dates that reimbursable expenditures occur and payments between funds are made, as well as pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2014.

Interfund transfers for the year ended December 31, 2013 on the fund statements consisted of the following:

| | Transfer In: | | | | |
|---|---|---|---|---|---|
| | General Fund | Debt Service Fund | Cap Projects Fund | Enterprise Fund - Eskenazi Health | Total |
| **Transfer out:** | | | | | |
| General Fund | $ - | $ 41,148,884 | $ 57,314,586 | $ 153,500,000 | $ 251,963,470 |
| LT Care Fund | 179,392,756 | - | - | - | 179,392,756 |
| Total | $ 179,392,756 | $ 41,148,884 | $ 57,314,586 | $ 153,500,000 | $ 431,356,226 |

Interfund transfers were generally used for the following: 1) to move revenues from the funds that are required by ordinance or budget to collect them to the funds that will ultimately expend them or 2) to cover deficits of other funds. For the government-wide statements, capital contributions received by the Eskenazi Health Enterprise Fund from other funds (if any) are reported as transfers; however, for the fund statements, such transfers are shown as capital contributions since they represent the actual transfer of capital assets. During 2013, the Eskenazi Health Hospital complex was completed and placed in service, resulting in a transfer from the General Fund and capital contributions to the Eskenazi Health Enterprise Fund of $726,554,763.

## Note 6: Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period or for which eligibility requirements have not been met. Governmental funds also record unearned revenue in connection with resources that have been received but not yet earned. At December 31, 2013, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

| | Deferred Inflows | Unearned |
|---|---|---|
| Grant advances prior to meeting all eligibility requirements | $ - | $ 639,828 |
| Rental revenue received in advance | - | 168,583 |
| Grant reimbursements not received within 90 days | 389,656 | - |
| Other revenues not received within 90 days | 30,440,645 | - |
| Total General Fund | $ 30,830,301 | $ 808,411 |

In addition, the Eskenazi Health Enterprise Fund had $1,234,753 of unearned revenue recorded at December 31, 2013 of which $590,740 related to the Healthy Indiana Plan and $644,013 related to both fee for service grants and advances received on Federal grants that had not met eligibility requirements.

## Note 7: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2013:

| | January 1, 2013 | Transfers/ Additions | Transfers/ Disposals | December 31, 2013 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 4,114,896 | $ - | $ - | $ 4,114,896 |
| Construction in progress | 467,323,679 | 259,271,532 | (726,554,763) | 40,448 |
| Total capital assets not being depreciated | 471,438,575 | 259,271,532 | (726,554,763) | 4,155,344 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 29,658,343 | 194,860 | - | 29,853,203 |
| Equipment | 22,581,532 | 603,882 | (37,839) | 23,147,575 |
| Vehicles | 5,100,850 | 159,619 | (58,006) | 5,202,463 |
| Total capital assets being depreciated | 57,340,725 | 958,361 | (95,845) | 58,203,241 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 12,562,471 | 1,324,370 | - | 13,886,841 |
| Equipment | 15,229,392 | 1,276,363 | (37,839) | 16,467,916 |
| Vehicles | 4,680,278 | 230,831 | (58,006) | 4,853,103 |
| Total accumulated depreciation | 32,472,141 | 2,831,564 | (95,845) | 35,207,860 |
| Total capital assets being depreciated, net | 24,868,584 | (1,873,203) | - | 22,995,381 |
| Governmental activities capital assets, net | $ 496,307,159 | $ 257,398,329 | $ (726,554,763) | $ 27,150,725 |

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2013:

| | January 1, 2013 | Transfers/ Additions | Transfers/ Disposals | December 31, 2013 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,189,878 | $ 8,519,900 | $ - | $ 9,709,778 |
| Construction in progress | 19,595,849 | 32,854,587 | (23,963,463) | 28,486,973 |
| Total capital assets not being depreciated | 20,785,727 | 41,374,487 | (23,963,463) | 38,196,751 |
| Capital assets being depreciated: | | | | |
| Land improvements | 10,469,450 | 74,437,210 | - | 84,906,660 |
| Buildings and improvements | 898,612,449 | 589,591,587 | - | 1,488,204,036 |
| Equipment | 246,714,057 | 92,690,551 | - | 339,404,608 |
| Vehicles | 7,943,253 | 89,500 | - | 8,032,753 |
| Total capital assets being depreciated | 1,163,739,209 | 756,808,848 | - | 1,920,548,057 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 6,588,636 | 1,095,505 | - | 7,684,141 |
| Buildings and improvements | 404,941,287 | 69,849,194 | - | 474,790,481 |
| Equipment | 196,508,705 | 24,837,229 | - | 221,345,934 |
| Vehicles | 6,519,631 | 537,980 | - | 7,057,611 |
| Total accumulated depreciation | 614,558,259 | 96,319,908 | - | 710,878,167 |
| Total capital assets being depreciated, net | 549,180,950 | 660,488,940 | - | 1,209,669,890 |
| Business-type activities capital assets, net | $ 569,966,677 | $ 701,863,427 | $ (23,963,463) | $ 1,247,866,641 |

The following is a summary of changes in capital assets - Eskenazi Health Enterprise Fund for the year ended December 31, 2013:

| | January 1, 2013 | Transfers/ Additions | Transfers/ Disposals | December 31, 2013 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,189,878 | $ 8,519,900 | $ - | $ 9,709,778 |
| Construction in progress | 13,202,095 | 13,843,498 | (90,260) | 26,955,333 |
| Total capital assets not being depreciated | 14,391,973 | 22,363,398 | (90,260) | 36,665,111 |
| Capital assets being depreciated: | | | | |
| Land improvements | 6,690,032 | 73,659,720 | - | 80,349,752 |
| Buildings and improvements | 296,752,658 | 565,290,601 | - | 862,043,259 |
| Equipment | 179,838,500 | 83,760,343 | - | 263,598,843 |
| Vehicles | 7,780,490 | 89,500 | | 7,869,990 |
| Total capital assets being depreciated | 491,061,680 | 722,800,164 | - | 1,213,861,844 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 5,508,943 | 701,648 | - | 6,210,591 |
| Buildings and improvements | 215,266,598 | 25,125,531 | - | 240,392,129 |
| Equipment | 161,658,338 | 14,031,375 | - | 175,689,713 |
| Vehicles | 6,358,853 | 537,370 | - | 6,896,223 |
| Total accumulated depreciation | 388,792,732 | 40,395,924 | - | 429,188,656 |
| Total capital assets being depreciated, net | 102,268,948 | 682,404,240 | - | 784,673,188 |
| Business-type activities capital assets, net | $ 116,660,921 | $ 704,767,638 | $ (90,260) | $ 821,338,299 |

The following is a summary of changes in capital assets - LT Care Enterprise Fund for the year ended December 31, 2013:

| | January 1, 2013 | Transfers/ Additions | Transfers/ Disposals | December 31, 2013 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | $ 6,393,754 | $ 19,011,089 | $ (23,873,203) | $ 1,531,640 |
| Total capital assets not being depreciated | 6,393,754 | 19,011,089 | (23,873,203) | 1,531,640 |
| Capital assets being depreciated: | | | | |
| Land improvements | 3,779,418 | 777,490 | - | 4,556,908 |
| Buildings and improvements | 601,859,791 | 24,300,986 | - | 626,160,777 |
| Equipment | 66,875,557 | 8,930,208 | - | 75,805,765 |
| Vehicles | 162,763 | - | - | 162,763 |
| Total capital assets being depreciated | 672,677,529 | 34,008,684 | - | 706,686,213 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,079,693 | 393,857 | - | 1,473,550 |
| Buildings and improvements | 189,674,689 | 44,723,663 | - | 234,398,352 |
| Equipment | 34,850,367 | 10,805,854 | - | 45,656,221 |
| Vehicles | 160,778 | 610 | - | 161,388 |
| Total accumulated depreciation | 225,765,527 | 55,923,984 | - | 281,689,511 |
| Total capital assets being depreciated, net | 446,912,002 | (21,915,300) | - | 424,996,702 |
| Business-type activities capital assets, net | $ 453,305,756 | $ (2,904,211) | $ (23,873,203) | $ 426,528,342 |

Within the statement of activities, depreciation expense is charged to functions of the Corporation as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| Administration and finance | $ 1,980,695 |
| Health improvements | 408,178 |
| Communicable disease prevention | 243,255 |
| Water quality and hazardous material management | 20,680 |
| Vector disease control | 157,306 |
| Housing and neighborhood health | 19,322 |
| Consumer and employee risk reduction | 2,128 |
| Total depreciation expense, governmental activities | $ 2,831,564 |
| **Business-Type Activities:** | |
| Eskenazi Health | $ 40,395,924 |
| LT Care | 55,923,984 |
| Total depreciation expense, business-type activities | $ 96,319,908 |

Included in the LT Care Fund depreciation expense in the proprietary fund statements is $3,754,780 of amortization expense related to lease acquisition costs.

In connection with the construction of the Eskenazi Health Hospital complex, the Corporation reevaluated the service utility of the assets associated with the current hospital campus that was closed at the end of 2013. This resulted in the acceleration of depreciation on certain assets relating to the latter. The Eskenazi Health Enterprise Fund recorded approximately $14,200,000 of additional depreciation as a result of the reevaluation, which is included in total Eskenazi Health depreciation expense above.

## Note 8: Estimated Medicare and Medicaid Settlements and Net Patient Service Revenue

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Eskenazi Health after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2013, the Medicare and Medicaid cost reports for Eskenazi Health have been audited by the fiscal intermediaries through December 31, 2009.

Eskenazi Health and LT Care have agreements with third-party payers that provide for payments to Eskenazi Health and LT Care at amounts different from their established rates. Estimated contractual adjustments under third-party reimbursement programs represent the differences between billings at established rates and amounts reimbursed by third-party payers. Estimated contractual adjustments also include any differences between estimated third-party reimbursement settlements for prior year services under third-party payer agreements and subsequent final settlements. A summary of the payment arrangements with major third-party payers follows.

### *Medicare*

Under the Medicare program, Eskenazi Health receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group. When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Outpatient services provided to Medicare patients are reimbursed to Eskenazi Health based on service groups called ambulatory payment classifications.

Under the Medicare program, LT Care primarily receives reimbursement for services provided at its skilled nursing facilities (SNF) under PPS on a per diem basis based on each resident's health at admission (RUG Rate). Medicare reimburses LT Care for 100 days of SNF care subject to certain eligibility requirements.

### *Medicaid*

Eskenazi Health is paid for inpatient acute care services rendered to Medicaid beneficiaries under the lower of charges or prospectively determined rates-per-discharge and on a per diem basis for psychiatric and burn unit services, classified based on clinical, diagnostic and other factors. Reimbursement for Medicaid outpatient services is based on prospective rates per visit. Eskenazi Health also participates in a Medicaid risk-based managed care program in which Eskenazi Health receives interim reimbursement rates with a settlement adjustment at year-end.

LT Care is reimbursed for services rendered to Medicaid beneficiaries on a per diem basis.

### *Medicaid Special Revenue*

The Corporation qualifies for certain special Medicaid payments through various sections of the State of Indiana Medicaid Plan and the Indiana Code. Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (DSH - established to reimburse hospitals that serve a disproportionate share of indigent patients) the Upper Payment Limit (UPL - established to pay qualifying health care providers the difference between what Medicare would have paid and what Medicaid actually paid) and other contractual revenues. The money received from the Medicaid special revenues can be utilized by the Corporation without restriction.

During 2012, the State of Indiana established a Hospital Assessment Fee (HAF), which was effective from July 1, 2011 through June 30, 2013. The HAF increased reimbursement for the state Medicaid fee for service program and the Medicaid managed care programs by approximately $51 million in 2013; such revenue is reported as net patient service revenue in the Eskenazi Health Enterprise Fund. Eskenazi Health was assessed a fee under the HAF program of approximately $6.2 million for 2013 and is reported as an operating expense in the Eskenazi Health Enterprise Fund. Fees assessed by the State of Indiana fund the UPL and DSH programs for Indiana hospitals (these programs were historically funded through an intergovernmental transfer program). There is no assurance the HAF 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.

Medicaid special revenue associated with indigent services provided at Eskenazi Health is comprised of DSH payments, which are all recorded in the Corporation's General Fund. Such payments are limited to a Hospital Specific Limit, which is defined by the State of Indiana Office of Medicaid Planning and Policy and are codified in the Indiana State Medicaid Plan and IC 12-15-15. Methodologies supporting such payments are complex and the timing and levels of payment may vary materially from year to year, often times resulting in material recoupment of the net receipts previously made to the Corporation. The Corporation often times does not have access to reasonable information to estimate levels of DSH payments and therefore cannot reasonably estimate levels of revenue by state fiscal (or their own fiscal) year. Management records the DSH portion of the Medicaid special revenue on a cash basis, unless actual amounts are known subsequent to year end.

Medicaid special revenue pertaining to LT Care and the physician access to care program is distributed through an intergovernmental transfer (IGT) arrangement. The basis for payment is derived from services rendered to patients through activities of the LT Care Funds and Eskenazi Health (for the physician access to care program). The Indiana Office of Medicaid Policy and Planning determines the level of UPL funds available for distribution and initiates a transaction with the Corporation to facilitate the IGT. The Corporation is responsible for funding the IGT for the services rendered on behalf of the LT Care Funds and Eskenazi Health and such transactions are reported in the General Fund statement of revenues, expenditures and changes in fund balances while LT Care reports revenue associated with its UPL at gross in the statement of revenue, expenses and changes in fund net position.

Medicaid special revenue associated with LT Care is based upon UPL payments, which is more predictable than the payments related to Eskenazi Health. Accordingly, management recognizes such payments on an accrual basis at the LT Care Fund level.

Beginning in 2013, the Corporation is participating in the Indiana Medicaid Governmental Ambulance Transportation Payment program that reimburses eligible ambulance transportation providers a federal reimbursement percentage of allowable costs. Revenue earned under this program are reported in the General fund statement of revenues, expenditures and changes in fund balances.

The General Fund recognized $37,142,046 in Medicaid special revenue and a receivable of $29,913,037 at December 31, 2013. The intergovernmental transfers made by the Corporation in 2013 under these programs totaled $100,675,452. The LT Care Fund recognized revenue of $198,664,337 and a receivable of $49,378,733 at December 31, 2013.

### *Other Payers*

Eskenazi Health and LT Care have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Eskenazi Health and LT Care under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2013:

| | Eskenazi Health | LT Care | Total | Percentage |
|---|---|---|---|---|
| Patient service revenue: | | | | |
| Inpatient | $ 481,343,200 | $ - | $ 481,343,200 | 26% |
| Outpatient | 743,219,300 | - | 743,219,300 | 41% |
| Long-term care | - | 598,036,991 | 598,036,991 | 33% |
| Gross patient service less: | 1,224,562,500 | 598,036,991 | 1,822,599,491 | 100% |
| Contractual adjustments | 524,449,253 | 22,841,569 | 547,290,822 | 30% |
| Charity and indigent care | 356,145,013 | - | 356,145,013 | 20% |
| Provision for uncollectible accounts | 42,758,036 | 12,000,592 | 54,758,628 | 3% |
| Net patient service revenue | $ 301,210,198 | $ 563,194,830 | $ 864,405,028 | 47% |

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 50%, respectively, of net patient service revenue for the year ended 2013. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

## Note 9: Long-Term Liabilities

### *Renovation Bonds of 1988*

During 1988, the Corporation issued $28,000,000 of Renovation Bonds, the proceeds of which were used to renovate the clinical, patient care and administrative areas of the Corporation's former hospital complex (the predecessor facilities to Eskenazi Health) and acquire, construct, renovate and equip the Corporation's public health and administrative facilities. The Renovation Bonds of 1988 are general obligation bonds payable from an unlimited ad valorem property tax levied on all taxable property in the Corporation, which is coterminous with Marion County, Indiana. The Renovation Bonds of 1988 that remain outstanding at December 31, 2013 bear interest at 7.40%, with principal and interest payments due June 30 and December 30 through 2019.

### *General Obligation Bonds of 2005*

During 2005, the Corporation issued $28,960,000 of General Obligation Refunding Bonds, Series 2005 (the 2005 GO Bonds), the proceeds of which were used to refund the outstanding principal of the Corporation's General Obligation Bonds, Series 2000 A (the 2000 A GO Bonds). The 2005 GO Bonds are payable from an unlimited ad valorem property tax levied on all taxable property in the Corporation, which is coterminous with Marion County, Indiana. The 2005 GO Bonds that remain outstanding at December 31, 2013 bear interest at 4.35% to 5.25%, with principal and interest payments due January 1 and July 1 through January 1, 2025. The 2005 GO Bonds are subject to redemption from mandatory sinking fund payments during 2016 to 2024.

### *General Obligation Bonds of 2010*

During 2010, the Corporation issued $195,000,000 of General Obligation Bonds, Series 2010 A-1 and 2010 A-2 (the 2010 A-1 and 2010 A-2 GO Bonds, or collectively, the 2010 A GO Bonds), the proceeds of which were used to finance a portion of the Eskenazi Health hospital complex, including the hospital and outpatient clinic facilities. The 2010 A GO Bonds are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the annual debt service. The 2010 A GO Bonds that remain outstanding at December 31, 2013 bear interest at 3.00% to 6.004%, with principal and interest payments due January 15 and July 15 through January 15, 2040. The 2010 A GO Bonds are subject to redemption from mandatory sinking fund payments during 2023 to 2040.

The 2010A GO Bonds were acquired in their entirety with proceeds from the issuance of The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) Bonds, Series 2010 A-1 and 2010 A-2 (the 2010 A-1 and 2010 A-2 Bond Bank Bonds). The 2010 A-2 Bond Bank Bonds were issued as Build America Bonds (BABs) and, as such, will be eligible to receive a credit (BAB Subsidy) equal to 35% of the interest payable on such bonds. The benefit of such credit will be passed on to the Corporation at each interest payment date, thus effectively reducing the Corporation's cost of financing. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Corporation's BAB Subsidies in 2013 were reduced by approximately 8.6% (the BAB Sequester). Due to the extension of the BAB Sequester, BAB Subsidies in 2014 are to be reduced by 7.2%. It is too soon to predict by what percentage, if any, BAB Subsidies will be cut in 2015 and thereafter or if the United States Congress will rescind or alter such cuts in the future.

### *Due to Local Government*

Financing for a portion of Eskenazi Health hospital complex is also being provided through a lease financing arrangement with the Indianapolis-Marion County Building Authority (Authority). The Authority was created pursuant to Indiana Code 36-9-13, as amended for the purpose of financing, acquiring, improving, constructing, reconstructing, renovating, equipping, operating, maintaining and managing governmental buildings for public or governmental purposes for the benefit of eligible governmental entities within the boundaries of the County of Marion, Indiana.

Pursuant to a Loan Agreement, dated March 1, 2010, the Authority received a loan of bond proceeds in connection with the issuance of $465,580,000 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010 B-1 and Series 2010 B-2 (the 2010 B-1 and 2010 B-2 Bond Bank Bonds), for the purposes of financing a portion of the costs of Eskenazi Health hospital complex.

Pursuant to a Loan Agreement dated April 1, 2013, the Authority received an additional loan of bond proceeds in connection with the issuance of $42,460,000 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2013 A (the 2013 A Bond Bank Bonds), for the purposes of financing additional costs of the Eskenazi Health hospital complex.

Pursuant to its Master Lease Agreement and related Addendums with the Authority, the Corporation is leasing certain real estate underlying the Eskenazi Health hospital complex and portions of the improvements related thereto. Under the Master Lease Agreement, the Corporation has the option to purchase the leased facilities at a price equal to the amount required to enable the Authority to pay or redeem all related outstanding debt obligations and costs of transferring the premises. Also, the Corporation is obligated to pay certain expenses and all costs to operate, insure and maintain the leased facilities. The rentals under this lease are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the rentals and, accordingly, the principal and interest on the 2010 B-1, 2010 B-2 and 2013 A Bond Bank Bonds.

As financing proceeds were spent on costs of Eskenazi Health hospital complex, the Corporation recorded such activity in capital assets with an offsetting entry to a noncurrent liability account (due to local government). During 2013, upon completion of the Eskenazi Health campus, the noncurrent liability account balance was reclassified as a capital lease obligation.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

| | January 1, 2013 | Additions | Reductions | December 31, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| General obligation bonds payable: | | | | | |
| Renovation Bonds of 1988 ($28,000,000 original amount), 6.00% to 7.40%, due January 1, 2020 | $ 12,495,000 | $ - | $ (1,420,000) | $ 11,075,000 | $ 1,530,000 |
| Refunding Bonds of 2005 ($28,960,000 original amount), 3.50% to 5.25%, due January 1, 2025 | 21,295,000 | - | (1,340,000) | 19,955,000 | 1,410,000 |
| General Obligation Bonds of 2010 - Series A-1, A-2 ($195,000,000 original amount), 3.00% to 6.004%, due January 15, 2040 | 186,565,000 | - | (8,730,000) | 177,835,000 | 9,050,000 |
| Plus: bond premium | 4,173,973 | - | (183,643) | 3,990,330 | 183,643 |
| Total bonds payable | 224,528,973 | - | (11,673,643) | 212,855,330 | 12,173,643 |
| Due to local government | 322,659,705 | 151,313,612 | (473,973,317) | - | - |
| Capital lease payable | 7,487,632 | 473,963,658 | (2,320,000) | 479,131,290 | 3,128,729 |
| Asserted and unasserted self-insurance claims | 740,164 | 6,432,437 | (6,488,607) | 683,994 | 412,085 |
| Accrued compensated absences | 6,121,901 | 4,876,164 | (4,710,341) | 6,287,724 | 5,001,778 |
| Net pension liability | 833,176 | 3,435,089 | (4,321,425) | (53,160) | - |
| Governmental activities long-term liabilities | $ 562,371,551 | $ 640,020,960 | $ (503,487,333) | $ 698,905,178 | $ 20,716,235 |
| **Business-Type Activities:** | | | | | |
| Eskenazi Health: | | | | | |
| Asserted and unasserted self-insurance claims | $ 9,629,978 | $ 26,668,353 | $ (27,487,456) | $ 8,810,875 | $ 4,857,660 |
| Accrued compensated absences | 20,280,292 | 18,118,209 | (16,538,882) | 21,859,619 | 19,236,465 |
| Net pension liability | 5,179,612 | 16,771,314 | (21,098,721) | 852,205 | - |
| LT Care: | | - | | | |
| Capital leases | 448,820,049 | 1,151,353 | (27,259,011) | 422,712,391 | 30,809,258 |
| Asserted and unasserted self-insurance claims | 10,806,916 | 1,289,163 | (1,463,079) | 10,633,000 | 3,087,222 |
| Business-type activities long-term liabilities | $ 494,716,847 | $ 63,998,392 | $ (93,847,149) | $ 464,868,090 | $ 57,990,605 |

The above bond and capital lease obligations relating to governmental activities are to be repaid from ad valorem taxes levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana. Long-term liabilities for the governmental activities are generally liquidated by the General Fund. The business-type capital leases will be repaid through LT Care nursing home operating revenue.

The governmental activities debt service requirements, including interest, on bonds and related future BAB subsidies as of December 31, 2013 are as follows:

| | Principal | Interest | BAB Subsidies |
|---|---|---|---|
| **Bonds:** | | | |
| 2014 | $ 11,990,000 | $ 12,161,759 | $ 2,981,889 |
| 2015 | 4,350,000 | 11,630,278 | 2,981,889 |
| 2016 | 4,595,000 | 11,226,063 | 2,981,889 |
| 2017 | 4,885,000 | 10,936,009 | 2,981,889 |
| 2018 | 3,430,000 | 10,027,644 | 2,981,889 |
| 2019 - 2023 | 25,540,000 | 48,892,868 | 14,828,638 |
| 2024 - 2028 | 43,260,000 | 40,667,530 | 12,904,821 |
| 2029 - 2033 | 44,645,000 | 28,097,430 | 9,126,045 |
| 2034 - 2038 | 54,060,000 | 13,620,974 | 4,424,092 |
| 2039 - 2040 | 12,110,000 | 727,084 | 236,157 |
| | $ 208,865,000 | $ 187,987,639 | $ 56,429,198 |

The above future BAB Subsidies reflect an adjustment for the BAB Sequester in effect for 2014.

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2013, is as follows:

| | |
|---|---|
| Net assessed value - 2013 | $ 34,038,407,113 |
| | 0.67% |
| Debt limit | 228,057,328 |
| Debt applicable to debt limit: | |
| Bonded debt | 208,865,000 |
| Legal debt margin | $ 19,192,328 |

As mentioned previously, in 2005, the Corporation refunded its 2000 A GO Bonds with the issuance of the 2005 GO Bonds. The 2000 A GO Bonds are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2013, $18,680,000 of these defeased bonds remain outstanding.

## Note 10: Leases

### *Operating*

The Corporation leases certain facilities and equipment under operating leases. Most of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2013 for the governmental activities:

| | |
|---|---|
| 2014 | $ 7,030,902 |
| 2015 | 6,845,197 |
| 2016 | 6,752,077 |
| 2017 | 6,613,003 |
| 2018 | 5,916,118 |
| 2019 - 2023 | 31,547,958 |
| 2024 - 2028 | 33,992,925 |
| 2029 - 2033 | 36,627,376 |
| 2034 - 2038 | 39,465,998 |
| 2039 - 2043 | 41,001,206 |
| Total future minimum payments | $ 215,792,760 |

Lease expenditures of $2,160,547 were reported in the governmental activities for the year ended December 31, 2013.

The following is a summary of the future minimum payments (including those relating to the HHC/Duke Realty Development LLC joint venture discussed later in these notes) of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2013 for the business-type activities:

| | |
|---|---|
| 2014 | $ 3,802,400 |
| 2015 | 3,005,265 |
| 2016 | 1,912,451 |
| 2017 | 1,621,186 |
| 2018 | 1,537,273 |
| 2019 - 2023 | 7,898,846 |
| 2024 - 2028 | 8,293,789 |
| 2029 - 2033 | 8,708,478 |
| 2034 - 2038 | 9,143,902 |
| 2039 - 2043 | 9,098,297 |
| Total future minimum payments | $ 55,021,887 |

The Corporation reported $6,303,219 of lease expense in the business-type activities for the year ended December 31, 2013.

### *Capital*

The Corporation's governmental activities include capital leases for a data center reported in the governmental activities and the Eskenazi Health hospital complex reported in the Eskenazi Health Enterprise Fund. At December 31, 2013, the gross amount of building improvements, equipment and related accumulated amortization recorded under these capital leases was as follows:

| | |
|---|---|
| Building and land improvements | $ 278,890,622 |
| Equipment | 204,830,668 |
| Less: accumulated amortization | (3,736,297) |
| | $ 479,984,993 |

Future minimum capital lease payments for the Corporation's governmental activities as of December 31, 2013 are:

| | |
|---|---|
| 2014 | $ 34,334,905 |
| 2015 | 42,896,056 |
| 2016 | 39,936,000 |
| 2017 | 39,939,000 |
| 2018 | 39,939,000 |
| 2019 - 2023 | 199,688,000 |
| 2024 - 2028 | 194,650,000 |
| 2029 - 2033 | 184,898,000 |
| 2034 - 2038 | 172,867,000 |
| 2039 | 32,914,000 |
| Total minimum lease payments | 982,061,961 |
| Less amount representing interest (2.34% - 6.45%) | 502,930,671 |
| Present value of net minimum capital lease payment | 479,131,290 |
| Less current installments of obligations under capital leases | 3,128,729 |
| Obligations under capital lease, excluding current installments | $ 476,002,561 |

For business-type activities, including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 59 nursing homes. At December 31, 2013, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

| | |
|---|---|
| Buildings | $ 540,412,183 |
| Less: accumulated amortization | (210,775,216) |
| | $ 329,636,967 |

Amortization expense of assets held under capital leases is included in depreciation expense for the Corporation's governmental activities and business type activities.

Future minimum capital lease payments for the Corporation's business-type activities as of December 31, 2013 are:

| | |
|---|---|
| 2014 | $ 65,730,558 |
| 2015 | 66,998,401 |
| 2016 | 68,134,600 |
| 2017 | 69,037,404 |
| 2018 | 70,372,674 |
| 2019 - 2023 | 263,471,218 |
| 2024 - 2028 | 2,986,000 |
| Total minimum lease payments | 606,730,855 |
| Less amount representing interest (at rates ranging from 4.58% to 11.74%) | 184,018,464 |
| Present value of net minimum capital lease payment | 422,712,391 |
| Less current installments of obligations under capital leases | 30,809,258 |
| Obligations under capital lease, excluding current installments | $ 391,903,133 |

## Note 11: Risk Management

### *Insurance Coverage*

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana Tort Claims Act, under IC 34-13-3-4, which limits the tort liability for all Indiana governmental entities, in aggregate, to $700,000 per person and $5,000,000 per occurrence. The Corporation also purchases commercial insurance policies for certain other risks of loss with deductibles that range from $10,000 to $500,000. Settled claims have not exceeded coverage for the past three years.

Eskenazi Health participates in the Indiana Medical Malpractice Act, which limits the maximum recovery for medical malpractice claims to $1,250,000 per occurrence, $250,000 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund.

As mentioned previously in these notes, the Corporation established a nonprofit entity, Lions Insurance Company, Inc., which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. As with Eskenazi Health, Lions is protected by the Indiana Tort Claims Act, participates in the Indiana Medical Malpractice Act and has professional liability coverage from the Indiana Patient Compensation Fund. In addition, Lions has protection for general liability coverage in excess of $1,000,000 annually and in the aggregate.

The Corporation's workers' compensation program retains the first $500,000 liability on any one claim or incident and purchases an excess workers' compensation policy to extend limits from $500,000 without an aggregate amount applicable as it applies to any one claim or incident.

The Corporation has accrued for reported claims and claims incurred but not reported (IBNR) for workers' compensation, general liability and medical malpractice. Loss estimates have included the nature of each claim or incident and relevant trend factors as determined by legal counsel and an independent consulting actuary.

The following is a summary of the changes in asserted and unasserted workers' compensation, general liability, and medical malpractice claims for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

| | |
|---|---|
| Balance at January 1, 2012 | $ 17,495,605 |
| Change in incurred claims (including IBNRs), net | 1,817,806 |
| Claim payments | (2,146,683) |
| Balance at January 1, 2013 | 17,166,728 |
| Change in incurred claims (including IBNRs), net | 2,293,678 |
| Claim payments | (3,194,691) |
| Balance at December 31, 2013 | $ 16,265,715 |

### *Medical Claims Incurred But Not Reported*

Eskenazi Health has entered into an agreement with MDwise, a related party, to provide risk-based health care services, including, but not limited to inpatient, outpatient and physician services, to qualified Medicaid participants.

Effective January 1, 2008, this program was expanded to include the provisions of the Healthy Indiana Plan (HIP). Eskenazi Health receives payments for the care of these Medicaid beneficiaries under a capitated payment methodology from MDwise and disburses payments through a third-party administrator based upon processed claims.

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Eskenazi Health for amounts that are unpaid at December 31, 2013. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Eskenazi Health and gives effect to estimates of trends in claim severity and frequency. Although management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Eskenazi Health Enterprise Fund. Historically, the majority of these claims are paid within one year following year-end, so the entire balance is being reflected in current liabilities in the statement of net position.

The following is a summary of changes in the medical claims incurred but not reported for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

| | |
|---|---|
| Balance at January 1, 2012 | $ 5,776,548 |
| Change in incurred claims (including IBNRs), net | 25,186,419 |
| Claim payments | (27,711,198) |
| Balance at January 1, 2013 | 3,251,769 |
| Change in incurred claims (including IBNRs), net | 31,662,125 |
| Claim payments | (31,404,145) |
| Balance at December 31, 2013 | $ 3,509,749 |

### *Health Insurance Coverage*

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage. Asserted and unasserted self-insurance claims in the governmental and business-type activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2013. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims.

The following is a summary of the changes in the Corporation's health insurance liability for the past two years, as recorded in the governmental activities of the statement of net position:

| | |
|---|---|
| Balance at January 1, 2012 | $ 1,250,098 |
| Change in incurred claims (including IBNRs), net | 5,116,472 |
| Claim payments | (5,626,406) |
| Balance at January 1, 2013 | 740,164 |
| Change in incurred claims (including IBNRs), net | 6,432,437 |
| Claim payments | (6,488,607) |
| Balance at December 31, 2013 | $ 683,994 |

The amount recorded as a liability in the General Fund at December 31, 2013 is $412,085 and represents the claims, which are matured and due as of year-end.

The following is a summary of the changes in the Corporation's health insurance liability for the past two years, as recorded in the business-type activities of the statement of net position:

| | |
|---|---|
| Balance at January 1, 2012 | $ 3,543,247 |
| Change in incurred claims (including IBNRs), net | 28,569,347 |
| Claim payments | (28,842,428) |
| Balance at January 1, 2013 | 3,270,166 |
| Change in incurred claims (including IBNRs), net | 25,663,838 |
| Claim payments | (25,755,844) |
| Balance at December 31, 2013 | $ 3,178,160 |

## Note 12: Retirement Plan

### *Plan Description*

The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), established in accordance with Indiana Code (§5-10.2 and §5-10.3). PERF is an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. The plan is a benefit plan with components of both a defined-benefit and defined-contribution plan. The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the board of PERF in accordance with actuarial methods. Substantially all full-time employees of the Corporation are covered by the plan. The following disclosures represent the most current and available information on the plan through the June 30, 2012 actuarial valuation.

Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

### *Funding Policy*

The Corporation's employees are required to contribute 3.0% of their annual salaries to an annuity savings account that may be withdrawn at any time should an employee terminate employment. The Corporation has elected to pay the required employee contribution. In addition, the Corporation is required by state statute to contribute at an actuarially determined rate (8.5% for calendar year 2013) of annual covered payroll. Therefore, the total employer contribution rate for 2013 was 11.5%. The contribution requirements of plan members are determined by PERF's Board of Directors as authorized by Indiana state statute. The Corporation-financed pension benefits are classified as defined-benefits and the employee-financed pension benefits are classified as defined-contributions.

### *Annual Pension Cost and Net Pension Obligation*

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2013 actuarial valuation using the entry age normal level percent of payroll. The actuarial assumptions used for the June 30, 2013 actuarial valuation included: (a) a rate of return on investment of present and future assets of 6.75% per year, compounded annually; (b) future salary increases of 3.25 - 4.50% per year, based on PERF experience from 2005 to 2010; (c) inflation of 3% per year; and (d) a cost of living increase of 1% (compounded) that is applied to pension benefit each year following retirement, with no increase assumed to be applied to the PERF annuity benefit. The actuarial value of the plan's assets is determined by taking the previous year's actuarial value, adding contributions, subtracting pension payments and plan expenses and adding expected earnings at the valuation rate of interest, based on a mid-year weighted-average fund. The result is multiplied by a four-year smoothing of gains/losses on market value. PERF uses the level percentage of payroll method to amortize the unfunded liability over an open 30-year period.

The following is a schedule of the net pension liability for the Corporation at December 31, 2013:

| | |
|---|---|
| Annual required contributions (ARC) | $ 20,272,976 |
| Interest on net pension asset | 405,863 |
| Adjustment to ARC | (472,436) |
| Annual pension cost | 20,206,403 |
| Actual contributions made | 25,420,146 |
| Change in net pension liability | (5,213,743) |
| Net pension liability, beginning of year | 6,012,788 |
| Net pension liability, end of year | $ 799,045 |

### *Historical Trend Information*

Historical trend information about the Corporation's participation in PERF is presented below to help readers assess the plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Asset (Liability) |
|---|---|---|---|
| 2013 | $ 20,206,403 | 126% | $ (799,045) |
| 2012 | 20,595,315 | 86% | (6,012,788) |
| 2011 | 19,339,518 | 81% | (3,043,887) |

### *Required Supplemental Information - Schedule of Funding Progress*

| Valuation Date | (A) Actuarial Value of Assets | (B) Entry Age Actuarial Accrued Liability (AAL) | (B - A) Excess of Assets Over (Unfunded) AAL | (A / B) Funded Ratio | (C) Anticipated Covered Payroll | [(B - A) / C] Excess/ Unfunded AAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| June 30, 2013 | $ 161,483,123 | $ 269,830,173 | $ (108,347,050) | 60% | $ 227,597,695 | 48% |
| June 30, 2012 | 139,163,674 | 275,186,152 | (136,022,478) | 51% | 241,715,205 | 56% |
| June 30, 2011 | 148,061,020 | 249,233,595 | (101,172,575) | 59% | 225,695,409 | 45% |

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Note 13: Deferred Compensation Plan

Employees of the Corporation are eligible to participate in a deferred compensation plan (Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to substantially all employees of the Corporation. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

## Note 14: Hospital Management Agreement

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2013, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Eskenazi Health, but the operations of Eskenazi Health remains the direct responsibility of the Corporation. Eskenazi Health incurred fees for professional, management, and resident physician services of approximately $49.5 million during the year (recorded in medical and professional fees on the statement of revenues, expenses and changes in fund net position - proprietary funds). The University also rents office space from Eskenazi Health, which resulted in revenue to Eskenazi Health of $1,189,099 in 2013.

## Note 15: Agreement With Eskenazi Medical Group

The Eskenazi Medical Group (EMG) is a related party of the Corporation through joint control. Under its agreements with Eskenazi Health, EMG provides physician services to Eskenazi Health and its Community Health Centers.

Total 2013 expense recognized in the Eskenazi Health Enterprise Fund to EMG totaled approximately $26,100,000.

## Note 16: LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to manage the 59 nursing homes, which are accounted for in the LT Care Fund. The term of the management agreement extends until August 2022 with the Corporation having the right to extend the term for an additional period of ten years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2013, the Corporation incurred approximately $30,553,000 in management fees to ASC for LT Care operations.

ASC has contracted with EagleCare, LLC (EagleCare) to provide the personnel required to operate each of the respective facilities. EagleCare and ASC are related parties in that the persons who own 100% of EagleCare also own 95% of ASC. ASC also provides management services to EagleCare in connection with its operations.

The Corporation currently leases 8 of the nursing homes from entities related to ASC through common ownership. During 2013, the Corporation paid approximately $18,911,000 to this organization in associated lease costs from LT Care operating revenue.

At December 31, 2013, the LT Care Fund had a payable to EagleCare of approximately $12,857,000 primarily for accrued labor and related benefits. The LT Care Fund also had a payable to ASC at December 31, 2013 of approximately $5,633,000 for outstanding management services rendered to be paid from operations.

## Note 17: Nursing Home Leases

The Corporation has entered into various transactions with entities related to ASC and unrelated third parties involving the leasing of buildings and purchasing of equipment for the operation of nursing homes throughout the state of Indiana with terms through March 2026. These transactions require the Corporation to make monthly lease payments, ranging from $19,000 to $198,000 per home. Certain transactions require the lease payments to increase by the greater of the Consumer Price Index (CPI) or a set percentage as defined in each agreement, which is typically 2% to 3%. Additionally, many of the leases have optional extensions available to the Corporation in five-year increments.

The Corporation is required to make various capital improvements for many of these facilities, ranging from $32,000 to $230,000 annually per home. In the same way as the lease payments above, these amounts increase annually. The Corporation expects to fund the capital improvements from cash flows generated from the operations of each nursing home.

The Corporation is required to provide security deposits for 28 of the nursing homes. As a result, an irrevocable standby letter of credit in the amount of $7,374,337 exists to provide the required security.

An unrelated third party serves as the landlord for 33 of the Corporation's nursing facilities. Lease payments to this third party in 2013 approximated $18,900,000.

## Note 18: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2013, the Corporation received $113,513,412 in tax cash receipts and $977,370 in special assessment fees cash receipts from the County for the "Clean and Lien" program to clean up vacant lots and for unsafe building enforcement. At December 31, 2013, the Corporation had a receivable for - due from the State of Indiana. The Corporation paid the County $468,284 in 2013 for autopsy and death reports, vital records, coroner fees and other matters. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2013.

## Note 19: Joint Ventures

The Corporation is a 50% member in MDwise. MDwise is a not-for-profit corporation that contracts with the State of Indiana through the Office of Medicaid Policy and Planning and the Office of Children's Health Insurance Program, to arrange for and administer a risk-based managed care program for certain Indiana Medicaid enrollees. The investment is recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method. The carrying value of this joint venture at December 31, 2013 was $16,329,885. Complete financial statements for MDwise can be obtained from the MDwise administrative offices at 1099 North Meridian, Suite 320, Indianapolis, Indiana 46204.

The Corporation is a 50% partner in the HHC/Duke Realty Development LLC (LLC). LLC is a limited liability corporation established by the Corporation and Duke Realty to jointly develop and construct an office building located on the Eskenazi Health Campus. The office building is owned by the LLC. The Corporation owns the land under the building and has leased the land to the LLC for 50 years. The Corporation is expected be the sole primary lessee of the building for the next 30 years but does have the authority to sublet as it wishes. The lease entered into by the Corporation was effective November 1, 2013 and has an escalation rate of 7.75% every five years. Future minimum lease payments required to be paid under the lease are included within the governmental activities of Note 10. During 2013, expense recognized under this lease by the Corporation totaled approximately $1,400,000. The Corporation, as a partner in the LLC, also receives a return on its equity investment equal to 8.25% over the life of the lease. The LLC will continue to own the building at the end of the 30 year lease. However, the Corporation may purchase the building at market value or continue to lease the building from the LLC at the end of the original lease period. The investment in the LLC is recorded in the governmental activities of the statement of net position and is accounted for under the equity method. The carrying value of this joint venture at December 31, 2013 was $37,502,895. Complete financials for the LLC can be obtained from the Duke Realty administrative offices at 510 E. 96th Street, Suite 250, Indianapolis, IN 46240.

## Note 20: Concentrations of Credit Risk

Eskenazi Health and LT Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of receivables from patients and third-party payers at December 31, 2013 is as follows:

| | |
|---|---|
| Commercial insurance | 12% |
| Medicare | 28% |
| Medicaid | 27% |
| Self-pay | 21% |
| Other | 12% |
| | 100% |

## Note 21: Commitments and Contingencies

### *Litigation*

In addition to pending medical malpractice claims, the Corporation has various other litigation pending against it. It is the opinion of management that loss, if any, from pending litigation will not have a material adverse effect on its financial position, results of operations or liquidity.

### *Government Grants*

The Corporation participates in a number of federal financial assistance programs. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Corporation expects such amounts, if any, to be immaterial.

### *Commitments*

The Corporation has entered into certain commitments related to the construction of the Eskenazi Health hospital complex of approximately $12,756,401 at December 31, 2013. Additionally, the General Fund has outstanding encumbrances aggregating $950,333 at December 31, 2013.

## Note 22: Subsequent Events

In August 2014, the Corporation entered into transactions with independent third-parties involving the lease of two additional nursing homes expiring in 2024 and 2022. Annual base lease payments begin at approximately $960,000 per year for both.

# Required Supplementary Information
# (Other Than MD&A) (Unaudited)

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Revenues, Expenditures and Changes in Fund Balances
## Budget and Actual - General Fund
## For the Year Ended December 31, 2013

| | Budgeted Amounts | | Actual | Variance With Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 104,342,236 | $ 104,342,236 | $ 107,935,184 | $ 3,592,948 |
| Licenses and permits | 4,024,100 | 4,024,100 | 4,112,158 | 88,058 |
| Intergovernmental | 865,000 | 865,000 | 977,370 | 112,370 |
| Charges for services | 1,319,400 | 1,319,400 | 1,313,599 | (5,801) |
| Medicaid special revenue | 12,760,396 | 12,760,396 | 22,802,712 | 10,042,316 |
| Interest | 175,000 | 175,000 | 75,830 | (99,170) |
| Grants | 17,744,000 | 17,744,000 | 20,473,395 | 2,729,395 |
| Miscellaneous | 34,400,000 | 34,400,000 | 47,402,169 | 13,002,169 |
| Total revenues | 175,630,132 | 175,630,132 | 205,092,417 | 29,462,285 |
| **Expenditures** | | | | |
| Personal services | 54,588,500 | 55,588,500 | 54,318,430 | 1,270,070 |
| Supplies | 5,267,000 | 5,967,000 | 4,682,644 | 1,284,356 |
| Other charges and services | 34,851,185 | 31,034,300 | 28,233,201 | 2,801,099 |
| Capital outlays | 1,998,000 | 1,998,000 | 779,239 | 1,218,761 |
| Total expenditures | 96,704,685 | 94,587,800 | 88,013,514 | 6,574,286 |
| **Other Financing Uses** | | | | |
| Transfers in | 110,000,000 | 110,000,000 | 179,392,756 | 69,392,756 |
| Transfers out | (221,253,115) | (252,070,000) | (252,180,620) | (110,620) |
| Total other financing uses | (111,253,115) | (142,070,000) | (72,787,864) | 69,282,136 |
| Net change in fund balances | (32,327,668) | (61,027,668) | 44,291,039 | 105,318,707 |
| Fund balances - beginning of year | 95,250,865 | 95,250,865 | 129,007,760 | 33,756,895 |
| Fund balances - end of year | $ 62,923,197 | $ 34,223,197 | $ 173,298,799 | $ 139,075,602 |

### Budgets and Budgetary Accounting

The Corporation is required by state statute to prepare a budget each calendar year. The budget is prepared for the General, Debt Service and Capital Projects, but is not required for certain activities of the Capital Projects Funds since they are controlled by bond indentures. The Corporation's annual budget is subjected to review by the Corporation's Board of Trustees and the City-County Council, and approved by the State of Indiana Department of Local Government Finance (DLGF). Any additional appropriations that increase the total expenditures require approval by the Corporation's Board of Trustees and the DLGF. Any decreases to total appropriated expenditures require the approval by the Corporation's Board of Trustees but not the DLGF. Budgetary control is exercised at the object of expenditure level. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, and by object of expenditure, remains unchanged.

The General, Capital Projects, and Debt Service Funds budgets are adopted on a basis not consistent with GAAP for revenue as it is a mix of accrual and cash basis. Encumbrances are treated as expenditures for the year in which the commitment to purchase is incurred for budgetary purposes.

### Encumbrance Accounting

For accounting purposes, purchase orders, contracts and other anticipated obligations to expend monies are recorded as encumbrances in governmental fund types in order to reserve that portion of the applicable appropriation. Encumbrances and their underlining appropriations do not lapse with the expiration of the budget period.

### Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

The schedule of revenues, expenditures, and changes in fund balances - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because the budgetary and GAAP presentations of actual data differ for the General Fund expenditures, a reconciliation of the two presentations is presented below for the General Fund.

| | |
|---|---|
| Net change in fund balance - GAAP basis | $ (49,923,877) |
| Add (Deduct) | |
| Change in encumbrances | (1,301,978) |
| Change in prepaid expenditures | (77,692) |
| Change in accounts receivable | 93,879,050 |
| Change in accounts payable | 3,904,823 |
| Change in self-insurance claims | 207,920 |
| Change in accrued expense | (2,397,207) |
| Net change in fund balance - Budgetary Basis | $ 44,291,039 |

# Other Supplementary Information

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2013

| Federal Grantor | Pass-Through Grantor | Pass-Through Grantor Number | Program Title | Federal CFDA # | 2013 Amount Passed-Through to Subrecipients | Combined 2013 Total Federal Expenditures |
|---|---|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | | | |
| | Indiana State Department of Health | A70-1-070320 | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | $ - | $ (90) |
| | Indiana State Department of Health | A70-3-070405 | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | - | 217,895 |
| | Indiana State Department of Health | A70-3-070479 | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | - | 25,479,294 |
| | Indiana State Department of Health | A70-4-070563 | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | - | 1,013,095 |
| | Indiana State Department of Health | A70-4-07614 | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | - | 63,309 |
| | | | | **Total U.S. Department of Agriculture** | **-** | **26,773,503** |
| **U.S. Department of Housing and Urban Development** | | | | | | |
| | City of Indianapolis | POI1300000138 | Community Development Block Grants/Entitlement Grants | 14.218 | - | 17,800 |
| | City of Indianapolis | 13DMD-1300000456 | Supportive Housing Program | 14.235 | - | 6,119 |
| | City of Indianapolis | POI1300861 / IN0080B5H031104 | Supportive Housing Program | 14.235 | - | 198,150 |
| | | | | | - | 204,269 |
| | City of Indianapolis | IN0072C5H030800 | Shelter Plus Care | 14.238 | - | 72,161 |
| | City of Indianapolis | IN0081C5H031104 / POI1300472 | Shelter Plus Care | 14.238 | - | 257,793 |
| | City of Indianapolis | IN0082C5H031104 / POI1300349 | Shelter Plus Care | 14.238 | - | 18,586 |
| | City of Indianapolis | IN0111C5H030900 | Shelter Plus Care | 14.238 | - | 139,636 |
| | City of Indianapolis | IN0141C5H031101 | Shelter Plus Care | 14.238 | - | 77,961 |
| | | | | | - | 566,137 |
| | | | | **Total U.S. Department of Housing and Urban Development** | **-** | **788,206** |
| **U.S. Department of Justice** | | | | | | |
| | Indiana Criminal Justice Institute | 12VA1541 / D3-13--7857 | Crime Victim Assistance | 16.575 | - | 55,580 |
| | Indiana Criminal Justice Institute | 13VA2421 / D3-14-8584 | Crime Victim Assistance | 16.575 | - | 16,574 |
| | Indiana University | D3-13-7858 | Crime Victim Assistance | 16.575 | - | 43,681 |
| | Indiana University | D3-14-8543 | Crime Victim Assistance | 16.575 | - | 17,168 |
| | | | | | - | 133,003 |
| | City of Indianapolis | PO3300000943 | Residential Substance Abuse Treatment for State Prisoners | 16.593 | - | 48,754 |
| | | | | **Total U.S. Department of Justice** | **-** | **181,757** |
| **U.S. Department of Labor** | | | | | | |
| | Indianapolis Private Industry Council | S2303-H-09 / S2303-H-10 | Program of Competitive Grants for Worker Training and Placement in High Growth nd Emerging Industry Sectors | 17.275 | - | 61,278 |
| | | | | **Total U.S. Department of Labor** | **-** | **61,278** |
| **VA Supportive Services for Veteran Families Program** | | | | | | |
| | Intecare, Inc. | 14-IN-200 | Intecare SSVF | 64.033 | - | 2,556 |
| | | | | **Total VA Supportive Services for Veteran Families Program** | **-** | **2,556** |
| **U.S. Environmental Protection Agency** | | | | | | |
| | Indiana State Department of Health | A70-3-068076 | State Indoor Radon Grants | 66.032 | - | 1,500 |
| | | | | **Total U.S. Environmental Protection Agency** | **-** | **1,500** |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Expenditures of Federal Awards (Continued)
## Year Ended December 31, 2013

| Federal Grantor | Pass-Through Grantor | Pass-Through Grantor Number | Program Title | Federal CFDA # | 2013 Amount Passed-Through to Subrecipients | 2013 Total Federal Expenditures |
|---|---|---|---|---|---|---|
| **U.S. Department of Education** | | | | | | |
| | Division of Disability, Aging and Rehabilitative Services | VR1-9-49-09-0X-1580 | Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | $ - | $ 232,120 |
| | IN Commission of Higher Education | P378A120012 | College Access Challenge Grant Program | 84.378 | - | 500 |
| | | | **Total U.S. Department of Education** | | - | **232,620** |
| **U.S. Department of Health and Human Services** | | | | | | |
| | Natl Assoc of County/City Health Officials | 5MRCSG101005-03 | Medical Reserve Corps Small Grant Program | 93.008 | - | 1,715 |
| | Indiana State Department of Health | A70-3-0532169 | Public Health Emergency Preparedness | 93.069 | - | 9,923 |
| | Indiana State Department of Health | A70-3-0532060 | Public Health Emergency Preparedness | 93.069 | - | 211,915 |
| | Indiana State Department of Health | A70-3-0531958 | Public Health Emergency Preparedness | 93.069 | - | 20,001 |
| | Indiana State Department of Health | A70-3-0532192 | Public Health Emergency Preparedness | 93.069 | - | 107,246 |
| | | | | | - | 349,085 |
| | District 5 Hospital Corporation | 1U90TP000521-01 | Cooperative Agreements | 93.074 | - | 995 |
| | Indiana State Department of Health | A70-3-0532023 | Cooperative Agreements | 93.074 | - | 4,798 |
| | Indiana State Department of Health | A70-3-0532060 | Cooperative Agreements | 93.074 | - | 63,411 |
| | | | | | - | 69,204 |
| | Direct | N/A | Sodium Reduction in Communities | 93.082 | 4,098 | 11,436 |
| | Indiana Family Health Council | IFHC-5 | Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | - | 205,870 |
| | Indiana State Department of Health | A70-2-106047 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | - | 8,543 |
| | Indiana State Department of Health | A70-4-106092 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | - | 129,487 |
| | | | | | - | 138,030 |
| | Indiana University | H34MC26203 | Emergency Medical Services for Children | 93.127 | - | 42,134 |
| | University of Illinois at Chicago | H4AHA00062 | AIDS Education and Training Centers | 93.145 | 6,281 | 284,415 |
| | University of Illinois at Chicago | HAH4A00062 | AIDS Education and Training Centers | 93.145 | - | 98 |
| | | | | | 6,281 | 284,513 |
| | Indiana Family and Social Services Administration – Division of Mental Health | A55-1-49-12-Y3-1580 /A55-2-49-Y3-1580 | Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | - | 81,889 |
| | Indiana Family Health Council | IFHC-1 | Family Planning Services | 93.217 | 1,890 | 787,085 |
| | **Health Centers Cluster:** | | | | | |
| | Direct | N/A | Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | - | 776,432 |
| | Direct | N/A | Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program | 93.527 | - | 495,750 |
| | ***Total Health Centers Cluster*** | | | | - | 1,272,182 |
| | Indiana University | 1R01HS020909-01 | Research on Healthcare Costs, Quality and Outcomes | 93.226 | - | 18,057 |
| | Indiana University | 5R24MH080827-05 | Mental Health Research Grants | 93.242 | - | 734 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Expenditures of Federal Awards (Continued)
## Year Ended December 31, 2013

| Federal Grantor | Pass-Through Grantor | Pass-Through Grantor Number | Program Title | Federal CFDA # | 2013 Amount Passed-Through to Subrecipients | Combined 2013 Total Federal Expenditures |
|---|---|---|---|---|---|---|
| | Direct | 1U79SM059735-01S1 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | $ 261,191 | $ 487,786 |
| | Indiana University | 5U79T1020281-03 / 5U79T1020281-04 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 141,396 |
| | Indiana Family and Social Services Administration – Division of Mental Health | A55-2-49-12-WZ-1580 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 817,914 |
| | Damien Center | 1U79SP015100 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | - | 42,121 |
| | | | | | 261,191 | 1,489,217 |
| | Indiana State Department of Health | A70-1-073112 | Immunization Cooperative Agreements | 93.268 | - | 14,891 |
| | Indiana State Department of Health | A70-4-073142 | Immunization Cooperative Agreements | 93.268 | - | 74,636 |
| | Indiana State Department of Health | A70-4-073149 | Immunization Cooperative Agreements | 93.268 | - | 412,654 |
| | | | | | - | 502,181 |
| | Direct | N/A | Centers for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 97,436 | 209,479 |
| | Trustee of IN University | 5UH3A109464-04 | Trans-NIH Research Support | 93.310 | - | 36,173 |
| | Indiana State Department of Health | A70-3-069622 | Pregnancy Assistance Fund Program | 93.500 | - | 282,586 |
| | Indiana State Department of Health | A70-4-069710 | Pregnancy Assistance Fund Program | 93.500 | - | 75,932 |
| | | | | | - | 358,518 |
| | Indiana Family Health Council | IFHC-3 | Temporary Assistance for Needy Families | 93.558 | - | 261,991 |
| | Indiana Family Health Council | IFHC-4 | Temporary Assistance for Needy Families | 93.558 | - | 297,269 |
| | | | | | - | 559,260 |
| | FSSA | F1-10-49-10-R5-1580 | Refugee and Entrant Assistance State Administered Programs | 93.566 | - | 329,583 |
| | Indiana State Department of Health | A70-2-106067 | Refugee and Entrant Assistance Discretionary Grants | 93.576 | - | 38,167 |
| | Indiana State Department of Health | A70-3-106067 | Refugee and Entrant Assistance Discretionary Grants | 93.576 | - | 22,810 |
| | Direct | N/A | Refugee and Entrant Assistance Discretionary Grants | 93.576 | - | 61,093 |
| | | | | | - | 122,070 |
| | Indiana University | 1C1CMS331000-01-00 | Health Care Innovation Awards (HCIA) | 93.610 | 315,284 | 1,194,305 |
| | InteCare, Inc. | A55-2-49-12-HO-1580 / A55-3-49-13-FX-1580 | Social Services Block Grant | 93.667 | - | 295,754 |
| | Indiana Family Health Council | IFHC-3 | Social Services Block Grant | 93.667 | - | 87,547 |
| | | | | | - | 383,301 |
| | Indiana University | 1R01HS019818-01 | Recovery Act – Comparative Effectiveness Research - AHRQ | 93.715 | - | 14,392 |
| | Direct | 1NAVCA130063-01-00 | PPHF 2013 - Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges | 93.750 | - | 334,982 |
| | Direct | N/A | PPHF 2013 - Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges | 93.750 | - | 16,887 |
| | | | | | - | 351,869 |

# Health and Hospital Corporation of Marion County, Indiana
## (A Component Unit of the Consolidated City of Indianapolis - Marion County)
## Schedule of Expenditures of Federal Awards (Continued)
## Year Ended December 31, 2013

| Federal Grantor | Pass-Through Grantor | Pass-Through Grantor Number | Program Title | Federal CFDA # | 2013 Amount Passed-Through to Subrecipients | Combined 2013 Total Federal Expenditures |
|---|---|---|---|---|---|---|
| | Indiana University | IN-4685234-WHS | Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | $ - | $ 1,546 |
| | Indiana University | 5R01HD053231 | Child Health and Human Development Extramural Research | 93.865 | - | 22,959 |
| | Indiana University | 5R01AG034946-03 | Aging Research | 93.866 | - | 43,499 |
| | Indiana University | R01AG034205 | Aging Research | 93.866 | - | 6,759 |
| | Indiana University | R01AG034205-04 | Aging Research | 93.866 | - | 9,978 |
| | Indiana University | R01AG034946-04 | Aging Research | 93.866 | - | 58,686 |
| | | | | | - | 118,922 |
| | Indiana State Department of Health | A70-1-0531545 | National Bioterrorism Hospital Preparedness Program | 93.889 | - | 39 |
| | District 5 Hospital Corporation | A70-1-0531551 | National Bioterrorism Hospital Preparedness Program | 93.889 | - | 17,184 |
| | Direct | N/A | National Bioterrorism Hospital Preparedness Program | 93.889 | - | 398 |
| | | | | | - | 17,621 |
| | Direct | N/A | HIV Emergency Relief Project Grants | 93.914 | - | 16,423 |
| | Direct | H89HA11463 | HIV Emergency Relief Project Grants | 93.914 | - | 52,710 |
| | Direct | N/A | HIV Emergency Relief Project Grants | 93.914 | 2,304,232 | 3,963,900 |
| | | | | | 2,304,232 | 4,033,033 |
| | Indiana State Department of Health | A70-3-112248 | HIV Care Formula Grants | 93.917 | - | 108,959 |
| | Indiana State Department of Health | A70-3-112249 | HIV Care Formula Grants | 93.917 | - | 35,487 |
| | | | | | - | 144,446 |
| | Direct | 2H76HA00112-22-00 | Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | - | 196,485 |
| | Direct | N/A | Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | 117,570 | 510,520 |
| | | | | | 117,570 | 707,005 |
| | Direct | H49MC00138 | Healthy Start Initiative | 93.926 | - | 79,582 |
| | Direct | N/A | Healthy Start Initiative | 93.926 | 47,874 | 779,435 |
| | | | | | 47,874 | 859,017 |
| | Direct | N/A | Special Projects of National Significance | 93.928 | 39,970 | 39,970 |
| | Indiana State Department of Health | 5U62PS003682-02 | HIV Prevention Activities Health Department Based | 93.940 | 13,165 | 47,250 |
| | Indiana State Department of Health | A70-2-112244 | HIV Prevention Activities Health Department Based | 93.940 | - | 4,167 |
| | Indiana State Department of Health | A70-3-112276 | HIV Prevention Activities Health Department Based | 93.940 | - | 294,474 |
| | | | | | 13,165 | 345,891 |
| | Indiana State Department of Health | A70-0-112153 | Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups | 93.943 | - | 269 |
| | InteCare, Inc. | A55-3-49-13-FX-1580 | Block Grants for Community Mental Health Services | 93.958 | - | 485,477 |
| | InteCare, Inc. | A55-3-49-13-FX-1580 | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | - | 1,074,164 |
| | Indiana State Department of Health | A70-3-069531 | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | - | 20,332 |
| | Indiana State Department of Health | A70-4-069678 | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | - | 29,483 |
| | | | | | - | 1,123,979 |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Expenditures of Federal Awards (Continued)

## Year Ended December 31, 2013

| Federal Grantor | Pass-Through Grantor | Pass-Through Grantor Number | Program Title | Federal CFDA # | 2013 Amount Passed-Through to Subrecipients | Combined 2013 Total Federal Expenditures |
|---|---|---|---|---|---|---|
| | Indiana State Department of Health | A70-0-112140 | Preventive Health Services-Sexually Transmitted Diseases Control Grants | 93.977 | $ - | $ 70 |
| | Indiana State Department of Health | A70-3-112274 | Preventive Health Services-Sexually Transmitted Diseases Control Grants | 93.977 | - | 5,141 |
| | Indiana State Department of Health | A70-3-112285 | Preventive Health Services-Sexually Transmitted Diseases Control Grants | 93.977 | 71,339 | 185,643 |
| | | | | | 71,339 | 190,854 |
| | Indiana State Department of Health | A70-3-069647 | Preventive Health and Health Services Block Grant | 93.991 | - | 16,285 |
| | Indiana University | A70-3-069620 | Maternal and Child Health Services Block Grant to the States | 93.994 | - | 98,284 |
| | Indiana University | A70-4-069697 | Maternal and Child Health Services Block Grant to the States | 93.994 | - | 31,946 |
| | Indiana Family Health Council | N/A | Maternal and Child Health Services Block Grant to the States | 93.994 | 840 | 127,665 |
| | | | | | 840 | 257,895 |
| | | | **Total U.S. Department of Health and Human Services** | | **3,281,170** | **17,177,451** |
| **U.S. Department of Homeland Security** | | | | | | |
| | City of Indianapolis | 16DPS-1600003391 | Non-Profit Security Program | 97.008 | - | 221,277 |
| | Indiana University | C44P-1-074A | Non-Profit Security Program | 97.008 | - | (37) |
| | Indiana State Department of Health | C44P-3-227B | Non-Profit Security Program | 97.008 | - | 11,947 |
| | | | | | - | 233,187 |
| | City of Indianapolis | N/A | Homeland Security Grant Program | 97.067 | - | 89,269 |
| | City of Indianapolis | 16DPS1600002780 | Metropolitan Medical Response System | 97.071 | - | 205,945 |
| | | | | | - | 205,945 |
| | | | **Total U.S. Department of Homeland Security** | | **-** | **528,401** |
| | | | **Total Federal Expenditures** | | **$ 3,281,170** | **$ 45,747,272** |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Schedule of Expenditures of Federal Awards (Continued)
## Year Ended December 31, 2013

### *Notes to Schedule*

1. This schedule includes the federal awards activity of Health and Hospital Corporation of Marion County, Indiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana
Indianapolis, Indiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County)(Corporation), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively compromise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2014, which contained an "emphasis of matter" paragraph regarding a change in its method of accounting.

***Internal Control Over Financial Reporting***

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Corporation's internal control to determine the audit procedures that are appropriate in the circumstances 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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. 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 Corporation'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 questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Corporation'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.*

***Management's Response to Findings***

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs.  Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We also noted certain matters that we reported to the Corporation's management in a separate letter dated September 30, 2014.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance.  This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance.  Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
September 30, 2014

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# Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

## Independent Auditor's Report

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana
Indianapolis, Indiana

### Report on Compliance for Each Major Federal Program

We have audited the compliance of Health and Hospital Corporation of Marion County, Indiana (Corporation) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

***Opinion on Each Major Federal Program***

In our opinion, Health and Hospital Corporation of Marion County, Indiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

**Report on Internal Control Over Compliance**

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
September 30, 2014

# Health and Hospital Corporation of Marion County, Indiana
## (A Component Unit of the Consolidated City of Indianapolis - Marion County)
## Schedule of Findings and Questioned Costs
## Year Ended December 31, 2013

***Summary of Auditor's Results***

1. The opinions expressed in the independent auditor's report over financial reporting were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

| | | |
|---|---|---|
| Significant deficiency(ies)? | ☐ Yes | ☒ None reported |
| Material weakness(es)? | ☒ Yes | ☐ No |

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance disclosed:

| | | |
|---|---|---|
| Significant deficiency(ies)? | ☐ Yes | ☒ None reported |
| Material weakness(es)? | ☐ Yes | ☒ No |

5. The opinions expressed in the independent auditor's report on compliance for each major federal program were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

| | |
|---|---|
| Special Supplemental Nutrition Program for Women, Infants & Children (CFDA No. 10.557) | Unmodified |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA No. 93.243) | Unmodified |

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

7. The Corporation's major programs were:

| Cluster/Program | CFDA Number |
|---|---|
| Special Supplemental Nutrition Program for Women, Infants & Children | 10.557 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $1,372,418.

9. The Corporation qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

### Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding | |
|---|---|---|
| 2013-001 | **Criteria or Specific Requirement:** | Management is responsible for establishing and maintaining effective internal controls over financial reporting. |
| | **Condition:** | The Corporation issues a Comprehensive Annual Financial Report (CAFR) on an annual basis. Certain internal controls over financial reporting were not effectively applied to the governmental funds. These internal control failures include a lack of timely reconciliations in a variety of financial statement areas and the ability to timely close the general ledger for financial statement production, which in turn resulted in significant delays in closing the fiscal year, as well as completion of the financial statement audit. Additionally, the internal control structure did not successfully transition institutional and technical knowledge during a period of personnel turnover in key accounting positions. (Material Weakness) |
| | **Context:** | Timely and accurate financial statements are critical to managing operations and communicating the financial position and results of operations to interested parties. The Corporation's controls were not effectively applied resulting in the inability of the Corporation to close the financial records in a timely manner. The noted delays and closing of the financial records puts the Corporation at risk for having the ability to making timely and informed management decisions due to lack of available and accurate financial information. |
| | **Cause:** | Internal controls were not adequately applied as a result of significant turnover within key positions combined with a lack of adequate and institutional and technical knowledge. |
| | **Effect:** | Potential material misstatements in the financial statements could occur and not be detected and/or corrected in a timely manner. |
| | **Recommendation:** | We recommend that the Corporation evaluate current accounting mechanisms in place for timely closing and reconciling of accounts to determine how they can be enhanced to minimize the potential for material error and ensure accurate and timely financial information is available to management and governance. |
| | **Views of Responsible Officials and Planned Corrective Action:** | We concur. Management acknowledges that a turnover in key financial positions contributed to delays in the generation of the financial statements. Several positions have been filled and management is working to document processes and procedures to strengthen controls and to prevent future occurrences. |

| Reference Number | | Finding |
|---|---|---|
| 2013-002 | **Criteria or Specific Requirement:** | Management is responsible for establishing and maintaining effective internal controls over financial reporting. |
| | **Condition:** | The Corporation issues a Comprehensive Annual Financial Report (CAFR) on an annual basis. Several material financial statement adjustments occurred during the audit process, that were not timely detected by management's internal control structure. These audit adjustments included a variety of financial reporting elements including: transactions with related parties (EMG and MDWise), transactions pertaining to the Risk Based Medicaid Program and Healthy Indiana Plan, as well as routine working capital accounts. (Material Weakness) |
| | **Context:** | Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties. Some of the concepts of the elements above can be complex and the individual reviewing monthly transactions should understand the underlying transactions in order to adequately review the transactions for accuracy within the financial reporting of the Corporation. |
| | **Cause:** | Timely reconciliations of financial statements and communication with related parties were not effective during the financial statement audit period. |
| | **Effect:** | Potential material misstatements in the financial statements could occur and not be detected and/or corrected in a timely manner. |
| | **Recommendation:** | We recommend that the Corporation evaluate current accounting mechanisms in place for timely closing and reconciling of accounts to determine how they can be enhanced to minimize the potential for material error and ensure accurate and timely financial information is available to management and governance. Additionally, we recommend that the Corporation develop procedures to interact with organizations that can have a financial impact to the Corporation to ensure financial transactions are properly communicated, documented and recorded within the financial statements in a timely manner. |
| | **Views of Responsible Officials and Planned Corrective Action:** | We concur. Management has established a review process to ensure the accuracy and timeliness of the financials. Review processes will include the review of financial statements, variance discussions and material reconciliations. |

**Findings Required to be Reported by OMB Circular A-133**

| Reference Number | Finding | Questioned Costs |
|---|---|---|
| | No matters are reportable. | |

# Health and Hospital Corporation of Marion County, Indiana

## (A Component Unit of the Consolidated City of Indianapolis - Marion County)

## Summary Schedule of Prior Audit Findings
## Year Ended December 31, 2013

| Reference Number | Summary of Finding | Status |
|---|---|---|
| 12-02 | Expenditures totaling $792,428 incurred in 2012 and prior years were deemed unallowable by the U.S. Department of Housing and Urban Development (HUD) auditors. | Corrected |
| 12-03 | One of the Corporation's subrecipients has been significantly in arrears in having required audits completed under OMB Circular A-133. | Corrected |