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January 26, 2016

Board of Directors
Clark Memorial Hospital
1220 Missouri Avenue
Jeffersonville, IN 47130

We have reviewed the audit report prepared by BKD LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. 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 Clark Memorial Hospital, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Auditor's Report and Financial Statements
December 31, 2014 and 2013



Clark Memorial Hospital
A Component Unit of Clark County, Indiana
December 31, 2014 and 2013

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Independent Auditor's Report

Board of Trustees
Clark Memorial Hospital
Jeffersonville, Indiana

We have audited the accompanying statements of net position of Clark Memorial Hospital (Hospital), a component unit of Clark County, Indiana, as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Hospital'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 Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Louisville, Kentucky
May 5, 2015

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Management's Discussion and Analysis
Years Ended December 31, 2014 and 2013

Introduction

This management's discussion and analysis of the financial performance of Clark Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2014 and 2013. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments, excluding amounts held by trustee for debt service and capital improvements and amounts restricted by donors for specific operating activities, decreased in 2014 by \$5,598,601, or 39% as compared to an increase of \$2,828,497, or 29.2% in 2013.
- The Hospital's net position decreased in each of the past two years with a \$9,386,847, or 22.1% decrease in 2014 and a \$4,496,701, or 9.6% decrease in 2013 from operating and nonoperating results.
- The Hospital reported operating losses in both 2014 (\$5,376,893) and 2013 (\$2,809,157). The operating loss in 2014 increased by \$2,567,736, or 91.4% over the operating loss in 2013. The operating loss in 2013 increased by \$1,826,982 as compared to the operating loss reported in 2012.
- Net nonoperating expenses increased by \$2,322,410, or 137.6% in 2014 compared to 2013 and decreased by \$678,361, or 28.7% in 2013 compared to 2012.

Using This Annual Report

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

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and activities for purposes of illustrating the effects of the past year's activity on the financial health of the Hospital. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. As the Hospital uses the accrual basis of accounting, current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Clark Memorial Hospital

A Component Unit of Clark County, Indiana

Management's Discussion and Analysis

Years Ended December 31, 2014 and 2013

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

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. The statement of cash flows illustrates the uses and sources of cash for the year.

The Hospital's Net Position

The Hospital's net position is the difference between assets, deferred outflows of resources and liabilities reported in the statement of net position. The Hospital's net position decreased by \$9,386,847 (22.1%) in 2014 over 2013 and by \$4,496,701 (9.6%) in 2013 over 2012, as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position

	2014	2013	2012
Assets			
Patient accounts receivable, net	\$ 17,739,758	\$ 16,521,380	\$ 16,478,562
Other current assets	20,618,879	17,988,484	19,761,882
Capital assets, net	80,675,706	87,463,132	90,253,507
Other noncurrent assets	10,722,767	9,972,361	10,985,476
Total assets	129,757,110	131,945,357	137,479,427
Deferred Outflows of Resources	324,665	346,430	368,197
Total assets and deferred outflows of resources	<u>\$ 130,081,775</u>	<u>\$ 132,291,787</u>	<u>\$ 137,847,624</u>
Liabilities			
Long-term debt	\$ 47,610,983	\$ 49,049,696	\$ 51,715,866
Other current and noncurrent liabilities	49,444,743	40,829,195	39,222,161
Total liabilities	97,055,726	89,878,891	90,938,027
Net Position			
Net investment in capital assets	29,091,350	34,871,785	32,255,001
Restricted	9,187,630	7,468,231	9,016,077
Unrestricted	(5,252,931)	72,880	2,638,519
Total net position	33,026,049	42,412,896	46,909,597
Total liabilities and net position	<u>\$ 130,081,775</u>	<u>\$ 132,291,787</u>	<u>\$ 137,847,624</u>

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Other receivables, which are included in other current assets, increased by \$7,708,022 from 2013 to 2014 as a result of the state of Indiana Intergovernmental Transfer, Medicaid Disproportionate Share and the state of Indiana Hospital Assessment Fee (HAF) program which was active for all of 2014; there was no receivable recorded at December 31, 2013. In addition, a receivable related to Electronic Health Records (EHR) Incentive Program for Medicare of approximately \$1,450,000 was included in other receivables at December 31, 2014, and no receivable was outstanding at December 31, 2013.

The most significant changes in the Hospital's financial position in 2013 was the decrease in other current assets related to the HAF program receivable, and the dissolution of the joint venture with the Heart Center at Clark Memorial (Heart Center) which was in other noncurrent assets.

Operating Results and Changes in the Hospital's Net Position

In 2014, the Hospital's net position decreased by \$9,386,847 from operating and nonoperating results, or 22.1% as shown in Table 2. This decrease is made up of several different components and represents a decline of 97.8% compared with the decrease in net position for 2013 of \$(4,496,701). The Hospital's change in net position declined from \$(3,348,134) in 2012 to \$(4,496,701) in 2013, a decrease of \$1,148,567.

Table 2: Operating Results and Changes in Net Position

	2014	2013	2012
Operating Revenues			
Net patient service revenue	\$ 178,850,559	\$ 162,309,176	\$ 165,525,471
Other operating revenues	5,016,219	6,489,314	7,225,413
Total operating revenues	183,866,778	168,798,490	172,750,884
Operating Expenses			
Salaries and wages and employee benefits	89,385,730	90,135,377	87,238,106
Purchased services and professional fees	27,246,013	24,142,248	23,073,451
Depreciation and amortization	11,808,821	11,556,099	11,242,778
Hospital assessment fees	20,241,066	7,347,808	18,070,929
Other operating expenses	40,562,041	38,426,115	34,107,849
Total operating expenses	189,243,671	171,607,647	173,733,113
Operating Loss	(5,376,893)	(2,809,157)	(982,229)
Nonoperating Revenues (Expenses)			
Investment income	259,494	461,419	190,593
Interest expense	(2,817,313)	(2,770,475)	(2,807,165)
Other nonoperating revenues and expenses, net	(1,452,135)	621,512	250,667
Total nonoperating revenues (expenses)	(4,009,954)	(1,687,544)	(2,365,905)
Change in Net Position	<u>\$ (9,386,847)</u>	<u>\$ (4,496,701)</u>	<u>\$ (3,348,134)</u>

Clark Memorial Hospital
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Management's Discussion and Analysis
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Operating Loss

The first component of the overall change in the Hospital's net position is its operating income or loss, identified as the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss.

The operating loss for 2014 increased by \$2,567,736, or 91%, as compared to 2013. The primary components of change in operating results are:

- An increase in net patient service revenue of \$16,541,383 or 10.2% in 2014 due to HAF payments received from the state of Indiana Medicaid program, which was suspended during 2013. The Hospital received 18-months of payments in 2014 versus six-months of payments received in 2013. The Hospital recorded approximately \$20,314,000 in 2014 of net patient service revenue as compared to \$7,543,000 in 2013 and a related increase in Hospital assessment fees noted below related to the HAF program.
- An increase in purchased services and professional fees of \$3,103,765, or 12.9% in 2014 compared to 2013. The increase resulted from increases in maintenance for information technology systems.
- The Hospital assessment fee increased by \$12,893,258, or 175.5% in 2014 compared to 2013 that was related to the re-instatement of the state of Indiana Medicaid HAF program as noted above.

The operating loss for 2013 of \$2,809,157 was a decline of \$1,826,928 over the operating loss of \$982,229 for 2012. The decrease in net patient service revenue of \$3,216,295 was due to relatively flat adjusted patient volume and a reduction of HAF payments received from the state of Indiana Medicaid program related to the suspension of the program in 2013 as compared to 18-months in 2012. In addition, the Hospital assessment fee decreased by \$10,723,121 associated with the state of Indiana Medicaid reimbursement changes.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense and gain or loss on investment in equity investees. Nonoperating revenues and expenses changed by approximately \$2,300,000 as compared to 2013 due primarily to losses on investments in equity investees. Nonoperating revenues and expenses remained relatively constant in 2013 when compared to 2012.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with the changes in operating losses and nonoperating revenues and expenses for 2014 compared to 2013 with the following exceptions. Cash provided by operating activities declined in 2014 as compared to 2013 due to the increase of payments related to the HAF program and related increases in receivables related to the HAF program and receivables related to

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the EHR program. The Hospital's cash flows were consistent with the changes in operating losses and nonoperating revenues and expenses from 2013 compared to 2012 with the exception of the cash provided by operating activities improved in 2013 due to the collection of the receivable related to the HAF program.

Capital Asset and Debt Administration

Capital Assets

At the end of 2014, the Hospital had \$80,675,706 invested in capital assets, net of accumulated depreciation compared to \$87,463,132 in 2013; this decrease of \$6,787,426 from 2013 is mostly the result of the Hospital expensing \$11,808,821 in depreciation expense and disposal of capital assets of \$3,746,219 versus current year asset additions of \$5,208,027.

Debt

At December 31, 2014, the Hospital had \$51,584,356 in revenue bonds, notes payable and capital lease obligations outstanding. The Hospital borrowed an additional \$2,706,809 on the Series 2013 revenue bonds in 2014. The Hospital also had drawn \$5,000,000 on the line of credit as of December 31, 2014.

Other Operating and Future Economic Factors

Indiana Hospital Assessment Fee Program

During 2013, the state of Indiana suspended the HAF program, which replaced the upper payment limit program. The HAF program included a state specific provider assessment fee to increase Medicaid payments to hospitals. The program was implemented retroactively back to the beginning of the 2012 Indiana state fiscal year (July 1, 2011). The Hospital recorded an 18-month impact of the new HAF program during 2012 and six-month impact during 2013. The Hospital recorded approximately \$7,543,000 in 2013 as compared \$21,756,000 in 2012 within net patient service revenues and expensed assessment fees totaling approximately \$7,348,000 in 2013 as compared to \$18,071,000 in 2012. In June 2013, the state of Indiana approved a four-year extension of the program through June 30, 2017, which was approved by the Centers for Medicare and Medicaid Services (CMS) in March 2014. The program extension is retroactive to July 1, 2013. In 2014, the Hospital recorded approximately \$20,314,000 within net patient service revenues and expensed assessment fees totaling approximately \$20,241,000, which represents 18-months of activity for the program.

Clark Memorial Hospital
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Management's Discussion and Analysis
Years Ended December 31, 2014 and 2013

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the chief financial officer by telephoning 812.283.2448.

Clark Memorial Hospital

A Component Unit of Clark County, Indiana

Statements of Net Position December 31, 2014 and 2013

Assets and Deferred Outflows of Resources

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 4,688,276	\$ 10,404,521
Short-term investments	2,198,627	2,118,371
Restricted investments – current	2,129,787	2,120,523
Patient accounts receivable, net of allowance; 2014 – \$24,441,000; 2013 – \$23,922,000	17,739,758	16,521,380
Other receivables	8,387,917	679,895
Supplies	1,289,305	1,115,286
Prepaid expenses and other current assets	<u>1,924,967</u>	<u>1,549,888</u>
Total current assets	<u>38,358,637</u>	<u>34,509,864</u>
Noncurrent Cash and Investments		
Internally designated	1,871,333	1,833,945
Held by trustee for debt service and capital improvements	9,104,040	7,391,520
Restricted by donors for specific operating activities	<u>83,590</u>	<u>76,711</u>
	11,058,963	9,302,176
Less amount required to meet current obligations	<u>2,129,787</u>	<u>2,120,523</u>
	<u>8,929,176</u>	<u>7,181,653</u>
Capital Assets, Net	<u>80,675,706</u>	<u>87,463,132</u>
Other Assets		
Other	<u>1,793,591</u>	<u>2,790,708</u>
Total assets	129,757,110	131,945,357
Deferred Outflows of Resources	<u>324,665</u>	<u>346,430</u>
Total assets and deferred outflows of resources	<u><u>\$ 130,081,775</u></u>	<u><u>\$ 132,291,787</u></u>

Liabilities and Net Position

	2014	2013
Current Liabilities		
Current maturities of long-term debt	\$ 3,973,373	\$ 3,541,651
Note payable to bank	5,000,000	-
Payable to suppliers and contractors	8,959,713	6,919,042
Payable to employees (including payroll taxes and benefits)	7,416,330	7,522,805
Estimated amounts due to third-party payers	71,099	918,865
Accrued expenses	8,916,101	6,111,845
Total current liabilities	34,336,616	25,014,208
Long-Term Debt	47,610,983	49,049,696
Accrued Pension	14,888,306	15,351,961
Other Long-Term Liabilities	219,821	463,026
Total liabilities	97,055,726	89,878,891
Net Position		
Net investment in capital assets	29,091,350	34,871,785
Restricted-expendable for		
Debt service and capital improvements	9,104,040	7,391,520
Specific operating activities	83,590	76,711
Unrestricted	(5,252,931)	72,880
Total net position	33,026,049	42,412,896
Total liabilities and net position	\$ 130,081,775	\$ 132,291,787

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2014 – \$31,469,620; 2013 – \$38,295,775	\$ 178,850,559	\$ 162,309,176
Other	<u>5,016,219</u>	<u>6,489,314</u>
Total operating revenues	<u>183,866,778</u>	<u>168,798,490</u>
Operating Expenses		
Salaries and benefits	89,385,730	90,135,377
Purchased services	24,381,196	21,469,638
Professional fees	2,864,817	2,672,610
Supplies	31,223,850	30,194,575
Hospital assessment fees	20,241,066	7,347,808
Other expenses	9,338,191	8,231,540
Depreciation and amortization	<u>11,808,821</u>	<u>11,556,099</u>
Total operating expenses	<u>189,243,671</u>	<u>171,607,647</u>
Operating Loss	<u>(5,376,893)</u>	<u>(2,809,157)</u>
Nonoperating Revenues (Expenses)		
Investment income	259,494	461,419
Interest expense	(2,817,313)	(2,770,475)
Gain (loss) on investment in equity investees	(800,283)	731,496
Other	<u>(651,852)</u>	<u>(109,984)</u>
Total nonoperating revenues (expenses)	<u>(4,009,954)</u>	<u>(1,687,544)</u>
Deficiency of Revenues Over Expenses and Decrease in Net Position	(9,386,847)	(4,496,701)
Net Position, Beginning of Year	<u>42,412,896</u>	<u>46,909,597</u>
Net Position, End of Year	<u><u>\$ 33,026,049</u></u>	<u><u>\$ 42,412,896</u></u>

Clark Memorial Hospital
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Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Receipts from and on behalf of patients	\$ 169,048,822	\$ 165,086,591
Payments to suppliers and contractors	(83,799,662)	(66,615,675)
Payments to employees	(89,955,860)	(87,206,233)
Other receipts, net	5,043,790	6,792,090
Net cash provided by operating activities	337,090	18,056,773
Capital and Related Financing Activities		
Proceeds from issuance of note payable to bank	5,000,000	4,500,000
Proceeds from issuance of long-term debt	2,760,809	239,194
Principal paid on note payable to bank	-	(6,000,000)
Principal pain on long-term debt	(3,767,800)	(3,500,328)
Interest paid on note payable to bank and long-term debt	(2,795,548)	(2,748,708)
Purchase of capital assets	(5,208,027)	(8,270,256)
Net cash used in capital and related financing activities	(4,010,566)	(15,780,098)
Investing Activities		
Proceeds from disposition of investments	2,839,812	2,175,953
Purchase of investments	(4,547,883)	(1,922,401)
Interest and dividends on investments	130,522	130,232
Proceeds from sale of assets	-	486,486
Other	(465,220)	(109,984)
Net cash provided by (used in) investing activities	(2,042,769)	760,286
Increase (Decrease) in Cash and Cash Equivalents	(5,716,245)	3,036,961
Cash and Cash Equivalents, Beginning of Year	10,404,521	7,367,560
Cash and Cash Equivalents, End of Year	\$ 4,688,276	\$ 10,404,521
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (5,376,893)	\$ (2,809,157)
Depreciation and amortization	11,808,821	11,556,099
Provision for uncollectible accounts	31,469,620	38,295,775
Gain on disposition of assets	-	(127,979)
Changes in operating assets and liabilities		
Patient accounts receivable	(32,687,998)	(38,338,593)
Estimated amounts due to third-party payers	(847,766)	(1,206,881)
Accounts payable and accrued expenses	4,031,592	4,054,904
Prepaid assets, supplies and other assets	(8,060,286)	6,632,605
Net cash provided by operating activities	\$ 337,090	\$ 18,056,773
Supplemental Cash Flows Information		
Capital leases incurred for equipment	\$ -	\$ 853,975

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Notes to Financial Statements
December 31, 2014 and 2013

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

Nature of Operations and Reporting Entity

Clark Memorial Hospital (Hospital) is an acute care hospital located in Jeffersonville, Indiana. The Hospital is a component unit of Clark County (County) and the Board of County Commissioners appoints members to the board of trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Clark County area.

The financial statements include blended component units of Clark Physician Group, LLC (CPG) and Clark County Hospital Foundation, Inc. (Foundation). CPG is a wholly owned subsidiary of the Hospital and earns revenues as a multi-specialty physician group providing primary care and other clinical services. The Foundation is organized for the benefit of the Hospital and earns revenues primarily from contributions.

Clark County Hospital Association (CCHA) is a related organization, which is controlled by the Board of County Commissioners of the County. CCHA issued bonds in 2009 and has title to substantially all real estate and fixed equipment which is operated by the Hospital. See additional disclosures in Note 10.

Basis of Accounting and Presentation

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

Use of Estimates

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

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Notes to Financial Statements
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Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents, exclusive of noncurrent cash and investments. At December 31, 2014, cash equivalents consisted primarily of money market accounts.

Risk Management

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

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

Investments and Investment Income

Investments generally include money market accounts, equities, mutual funds and certificates of deposit. The investments in equity investees are reported on the equity method of accounting. Certificates of deposits are carried at cost plus accrued interest, which approximates fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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

Patient Accounts Receivable

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

Supplies

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

Clark Memorial Hospital
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Notes to Financial Statements
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Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	2 - 25 years
Buildings and leasehold improvements	5 - 40 years
Equipment	2 - 20 years

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. There was approximately \$107,000 and \$166,000 of interest capitalized for the years ended December 31, 2014 and 2013, respectively.

Other Assets

Investments in Joint Ventures. The investments in joint ventures are accounted for by the equity method of accounting and are further described in Note 5.

Deferred Amounts on Refunding

Deferred amounts on refunding, which are included in deferred outflows of resources on the statements of net position, represent losses incurred in connection with the refunding of various long-term debt. Such losses are being amortized over the shorter of the term of the respective original debt or the term of the new debt using the straight-line method.

Other Long-Term Liabilities

Other long-term liabilities consist of deferred compensation agreements with key employees, supplemental executive retirement plan and workers' compensation liability. The agreements are to be funded with proceeds from operations.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as social security and Medicare taxes computed using rates in effect at that date.

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Net Position

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

Net Patient Service Revenue

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

Charity Care

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

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

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health record (EHR) technology. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the

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Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue at the point it has met all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2013, the Hospital completed the second-year requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately \$2,647,000, which is included in other operating revenues in the statement of revenues, expenses and changes in net position. In 2014, the Hospital completed the third-year requirements under both the Medicare and Medicaid programs and has recorded a receivable and related revenue of approximately \$1,448,000, which is included in other receivables in the statement of net position and other operating revenues in the statement of revenues, expenses and changes in net position.

Note 2: Net Patient Service Revenue

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

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

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per discharge for inpatient services and outpatient fee for services.

During 2012, the state of Indiana enacted the Hospital Assessment Fee (HAF) program to replace the upper payment limit program. The HAF program includes a state specific provider assessment fee to increase Medicaid payments to hospitals. The Indiana Legislature has approved legislation which would continue the current program for the next four to five years. In 2013, the Hospital received notice that the HAF program was suspended beginning June 30, 2013, pending CMS approval of recently enacted changes to the program. In 2013, the Hospital recorded six-months of HAF revenues and expenses which approximated \$7,453,000 within net patient service revenues and expensed assessment fees totaling \$7,347,808. In June 2013, the state of Indiana approved a four-year extension of the program through June 30, 2017, which was approved by CMS in March

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2014. The program extension is retroactive to July 1, 2013. In 2014, the Hospital recorded approximately \$20,314,000 within net patient service revenues and expensed assessment fees totaling approximately \$20,241,000, which represents 18-months of activity for the program. The Hospital has a receivable of approximately \$5,944,000 at December 31, 2014, related to the program, included in other receivables in the statement of net position. The Hospital also had a payable of approximately \$4,404,000 and \$1,326,000 recorded at December 31, 2014 and 2013, respectively, included in accrued expenses on the statement of net position.

Approximately 59% and 57% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2014 and 2013. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3: Deposits, Investments and Investment Income

Deposits

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

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

Investments

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

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At December 31, 2014 and 2013, the Hospital had the following investments and maturities:

Type	2014				
	Fair Value	Maturities in Years			
		Less Than One	One to Five	Six to 10	More Than 10
Money market mutual funds	\$ 10,162,827	\$ 10,162,827	\$ -	\$ -	\$ -
Equities	1,398,068	1,398,068	-	-	-
Mutual funds	1,696,670	1,696,670	-	-	-
Certificates of deposit	25	25	-	-	-
	<u>\$ 13,257,590</u>	<u>\$ 13,257,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Type	2013				
	Fair Value	Maturities in Years			
		Less Than One	One to Five	Six to 10	More Than 10
Money market mutual funds	\$ 8,432,903	\$ 8,432,903	\$ -	\$ -	\$ -
Equities	886,885	886,885	-	-	-
Mutual funds	2,000,734	2,000,734	-	-	-
Certificates of deposit	100,025	100,025	-	-	-
	<u>\$ 11,420,547</u>	<u>\$ 11,420,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk of fair value losses arising from rising interest rates. The Hospital does not have a formal policy to limit its interest rate risk. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO). At December 31, 2014 and 2013, the Hospital held no investments in corporate bonds.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2014 and 2013, the Hospital held no investments in repurchase agreements.

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Concentration of Credit Risk – The Hospital places no limit on the amount that may be invested in any one issuer. At December 31, 2014 and 2013, the Hospital held no investments in corporate bonds.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Hospital had no investments denominated in foreign currency at December 31, 2014 and 2013.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position at December 31, 2014 and 2013, as follows:

	2014	2013
Carrying value		
Deposits	\$ 4,688,276	\$ 10,404,521
Investments	13,257,590	11,420,547
	<u>\$ 17,945,866</u>	<u>\$ 21,825,068</u>

Included in the following statement of net position captions:

	2014	2013
Cash and cash equivalents	\$ 4,688,276	\$ 10,404,521
Short-term investments	2,198,627	2,118,371
Restricted investments – current	2,129,787	2,120,523
Noncurrent cash and investments	8,929,176	7,181,653
	<u>\$ 17,945,866</u>	<u>\$ 21,825,068</u>

Investment Income

Investment income for the year ended December 31, 2014 and 2013, consisted of:

	2014	2013
Interest and dividend income	\$ 130,522	\$ 144,546
Net increase in fair value of investments	128,972	316,873
	<u>\$ 259,494</u>	<u>\$ 461,419</u>

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Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2014 and 2013, consisted of:

	2014	2013
Medicare	\$ 7,513,558	\$ 6,418,367
Medicaid	1,268,918	1,149,595
Other third-party payers	6,312,783	5,913,523
Patients	27,085,097	26,961,480
	<u>42,180,356</u>	<u>40,442,965</u>
Less allowance for uncollectible accounts	<u>24,440,598</u>	<u>23,921,585</u>
	<u><u>\$ 17,739,758</u></u>	<u><u>\$ 16,521,380</u></u>

Note 5: Investments in Uncombined Entities

The investments in uncombined entities are accounted for on the equity method. The equity earnings of the uncombined entities are accounted for on the equity method and are included in nonoperating revenues. The investment in these uncombined entities is included in other assets in the statements of net position at December 31, 2014 and 2013.

The equity interest in Southern Indiana Rehabilitation Hospital (SIRH) (an acute rehabilitation hospital) represents a 33% interest at December 31, 2014 and 2013. The Hospital has recorded an asset of \$1,628,750 and \$2,591,054 at December 31, 2014 and 2013, respectively, related to its equity interest in SIRH. Financial position and results of operations of SIRH for 2014 and 2013 are summarized below:

	2014	2013
Current assets	\$ 6,123,263	\$ 7,130,362
Property and other long-term assets, net	<u>4,138,834</u>	<u>4,726,668</u>
Total assets	<u><u>10,262,097</u></u>	<u><u>11,857,030</u></u>

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	2014	2013
Current liabilities	\$ 2,716,253	\$ 2,698,760
Long-term liabilities	<u>2,659,595</u>	<u>1,385,106</u>
Total liabilities	<u>5,375,848</u>	<u>4,083,866</u>
Total net position	<u>\$ 4,886,249</u>	<u>\$ 7,773,164</u>
Revenues	<u>\$ 16,821,642</u>	<u>\$ 18,062,747</u>
Excess (deficiency) of revenues over expenses	<u>\$ (733,624)</u>	<u>\$ 36,211</u>

The equity interest in Comprehensive Outpatient Rehabilitation Facility (CORF) (an outpatient rehabilitation facility) represents a 50% interest at December 31, 2014 and 2013. The Hospital has recorded an asset of \$0 for both December 31, 2014 and 2013, related to its equity interest in CORF.

Guarantees

The Hospital guarantees certain third-party debt of unconsolidated affiliated organizations. At December 31, 2014 and 2013, the Hospital has guaranteed 33% of the outstanding debt of SIRH, which was \$750,000 and \$1,350,000 as of December 31, 2014 and 2013, respectively. The debt guarantee expires on April 15, 2016.

Subsequent to December 31, 2014, SIRH paid the remaining outstanding balance of the debt that the Hospital has guaranteed.

Related-Party Transactions

The Hospital provides SIRH with certain ancillary services that totaled approximately \$785,000 and \$806,000 in 2014 and 2013, respectively. The Hospital has a receivable from SIRH of approximately \$124,000 and \$139,000 included in other receivables in the statements of net position at December 31, 2014 and 2013, respectively.

The Hospital provided billing and collection services for the Heart Center at Clark Memorial (Heart Center) for which the Hospital charged the Heart Center through an indirect expense allocation. The Hospital has a payable to the Heart Center of approximately \$641,000 for amounts collected prior to the dissolution of the joint venture in June 2013, but not remitted to the Heart Center included in payable to suppliers and contractors in the statements of net position at December 31, 2014 and 2013.

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Note 6: Capital Assets

Capital assets activity for the years ended December 31, 2014 and 2013, was:

	2014				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 6,071,554	\$ -	\$ -	\$ -	\$ 6,071,554
Land improvements	1,543,212	-	(5,034)	-	1,538,178
Buildings and leasehold improvements	100,522,659	293,417	(995,451)	-	99,820,625
Equipment	134,780,798	811,244	(2,745,734)	3,611,321	136,457,629
Construction in progress	1,079,951	4,103,366	-	(3,611,321)	1,571,996
	<u>243,998,174</u>	<u>5,208,027</u>	<u>(3,746,219)</u>	<u>-</u>	<u>245,459,982</u>
Less accumulated depreciation					
Land improvements	1,264,879	56,839	(5,034)	-	1,316,684
Buildings and leasehold improvements	57,952,545	4,093,070	(917,400)	-	61,128,215
Equipment	97,317,618	7,658,912	(2,637,153)	-	102,339,377
Total accumulated depreciation	<u>156,535,042</u>	<u>11,808,821</u>	<u>(3,559,587)</u>	<u>-</u>	<u>164,784,276</u>
Capital assets, net	<u>\$ 87,463,132</u>	<u>\$(6,600,794)</u>	<u>\$ (186,632)</u>	<u>\$ -</u>	<u>\$ 80,675,706</u>

	2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 6,365,624	\$ 51,712	\$ (345,782)	\$ -	\$ 6,071,554
Land improvements	1,545,186	-	(1,974)	-	1,543,212
Buildings and leasehold improvements	96,251,927	4,361,879	(91,147)	-	100,522,659
Equipment	127,334,507	3,393,188	(319,040)	4,372,143	134,780,798
Construction in progress	4,134,642	1,317,452	-	(4,372,143)	1,079,951
	<u>235,631,886</u>	<u>9,124,231</u>	<u>(757,943)</u>	<u>-</u>	<u>243,998,174</u>

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	2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation					
Land improvements	\$ 1,205,901	\$ 60,722	\$ (1,744)	\$ -	\$ 1,264,879
Buildings and leasehold improvements	53,908,467	4,135,225	(91,147)	-	57,952,545
Equipment	90,264,011	7,360,152	(306,545)	-	97,317,618
Total accumulated depreciation	145,378,379	11,556,099	(399,436)	-	156,535,042
Capital assets, net	<u>\$ 90,253,507</u>	<u>\$ (2,431,868)</u>	<u>\$ (358,507)</u>	<u>\$ -</u>	<u>\$ 87,463,132</u>

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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

Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$250,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual

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amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during the year ended December 31, 2014 and 2013, is summarized as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 906,507	\$ 388,504
Current year claims incurred and changes in estimates for claims incurred in prior years	(8,504,620)	(6,252,219)
Claims and expenses paid	<u>8,426,578</u>	<u>6,770,222</u>
Balance, end of year	<u>\$ 828,465</u>	<u>\$ 906,507</u>

Note 9: Note Payable to Bank

The Hospital has a \$5,000,000 revolving line of credit, which expires June 30, 2015. At December 31, 2014 and 2013, there was \$5,000,000 and \$0 borrowed against the line of credit, respectively. The line of credit is collateralized by the patient accounts receivable and gross revenues of the Hospital and pro-rata share on substantially all the Hospital's general business assets. Interest varies with the bank's prime rate, which was 3.25% at December 31, 2014 and 2013.

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Note 10: Long-Term Obligations

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2014 and 2013:

2014					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligations – buildings	\$ 45,380,000	\$ -	\$ 1,945,000	\$ 43,435,000	\$ 2,020,000
Revenue Bonds					
Series 2010A	2,997,376	-	354,459	2,642,917	385,645
Series 2010B	1,251,563	-	283,056	968,507	297,752
Series 2013	239,194	2,760,809	176,119	2,823,884	273,153
Mortgage payable – bank	841,031	-	180,495	660,536	190,702
Capital lease obligations – equipment	1,882,183	-	828,671	1,053,512	806,121
Total long-term debt obligations	<u>\$ 52,591,347</u>	<u>\$ 2,760,809</u>	<u>\$ 3,767,800</u>	<u>\$ 51,584,356</u>	<u>\$ 3,973,373</u>
2013					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligations – buildings	\$ 47,260,000	\$ -	\$ 1,880,000	\$ 45,380,000	\$ 1,945,000
Revenue Bonds					
Series 2010A	3,385,738	-	388,362	2,997,376	355,704
Series 2010B	1,520,665	-	269,102	1,251,563	283,092
Series 2013	-	239,194	-	239,194	13,246
Mortgage payable – bank	1,033,508	-	192,477	841,031	180,517
Capital lease obligation – equipment	1,798,595	853,975	770,387	1,882,183	764,092
Total long-term debt obligations	<u>\$ 54,998,506</u>	<u>\$ 1,093,169</u>	<u>\$ 3,500,328</u>	<u>\$ 52,591,347</u>	<u>\$ 3,541,651</u>

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The following is a summary of other long-term obligations for the Hospital for the years ended December 31, 2014 and 2013:

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Accrued pension liabilities	\$ 15,351,961	\$ 906,345	\$ 1,370,000	\$ 14,888,306	\$ -
Other long-term liabilities	463,026	41,750	284,955	219,821	-
Total other long-term obligations	<u>\$ 15,814,987</u>	<u>\$ 948,095</u>	<u>\$ 1,654,955</u>	<u>\$ 15,108,127</u>	<u>\$ -</u>
	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Accrued pension liabilities	\$ 12,044,921	\$ 3,307,040	\$ -	\$ 15,351,961	\$ -
Other long-term liabilities	473,807	90,749	101,530	463,026	-
Total other long-term obligations	<u>\$ 12,518,728</u>	<u>\$ 3,397,789</u>	<u>\$ 101,530</u>	<u>\$ 15,814,987</u>	<u>\$ -</u>

Capital Lease Obligation – Buildings

CCHA owns the building and substantially all fixed assets, which are operated by the Hospital. Using these assets as collateral, CCHA issued bonds in 2009 for capital improvements. CCHA entered into a capital lease arrangement with the County and the Hospital. The terms of the lease mirror the terms of the 2009 bonds. Titles of the leased assets revert to the County and Hospital at the end of the lease. The terms of the lease require the Hospital to pay various principal amounts annually, including interest rates ranging from 3.00% to 5.50% through August 1, 2029. The 2009 bonds are collateralized by substantially all assets held by CCHA.

Revenue Bonds Series 2010A

In December 2010, the Hospital issued \$4,000,000 of City of Jeffersonville, Indiana Recovery Zone Facility Bonds Series 2010A (2010A Bonds), which bear interest at 5.19%. Monthly principal and interest payments of \$42,811 are payable through January 2021. The bonds are secured by the gross revenues of the Hospital, assets restricted under the bond purchase and loan agreement and by real property of the Hospital.

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In connection with the 2010A Bonds, the Hospital is required to meet certain covenants related to financial performance. At December 31, 2014, the Hospital was not in compliance with the debt service coverage ratio. The Hospital obtained a waiver from the lender for this covenant violation.

Revenue Bonds Series 2010B

In December 2010, the Hospital issued \$2,000,000 of City of Jeffersonville, Indiana Recovery Zone Facility Bonds Series 2010B (2010B Bonds), which bear interest at 4.99%. Monthly principal and interest payments of \$28,325 are payable through January 2018. The bonds are secured by the gross revenues of the Hospital, assets restricted under the bond purchase and loan agreement and by real property of the Hospital.

In connection with the 2010B Bonds, the Hospital is required to meet certain covenants related to financial performance.

Revenue Bonds Series 2013

In October 2013, the Hospital issued \$3,000,000 of Indiana Finance Authority Health Facility Revenue Bonds Series 2013, which bear interest at 3.85%. Beginning in May 2014, monthly principal and interest payments of \$31,544 are payable through October 2018. The bonds are secured by the gross revenues of the Hospital, assets restricted under the bond purchase and loan agreement and real property of the Hospital.

In connection with the 2013 Bonds, the Hospital is required to meet certain covenants related to financial performance.

Mortgage Payable – Bank

In September 2007, the Hospital entered into a mortgage payable in the amount of \$1,800,000. The mortgage payable bears interest at 5.50% and is payable in monthly installments of principal and interest of \$18,520 through April 2018 at which point the outstanding principal and interest is due. The mortgage payable is secured by certain real property of the Hospital.

Capital Lease Obligations – Equipment

The Hospital is obligated under capital lease agreements for certain medical equipment that is accounted for as capital leases. The lease agreements bear interest at 0% to 3.65% and are payable in monthly installments ranging from \$5,732 to \$51,471 through August 2017. Assets under capital leases at December 31, 2014 and 2013, totaled \$3,324,166 and \$3,072,933 net of

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accumulated depreciation of \$1,015,394 and \$602,185, respectively. The future minimum lease payments at December 31, 2014 and 2013, were \$1,072,023 and \$1,945,192 of which \$18,511 and \$63,009 represents interest expense. The present value of the future minimum lease payments was \$1,053,512 and \$1,882,183 at December 31, 2014 and 2013.

The debt service requirements for long-term obligations as of December 31, 2014, were as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2015	\$ 6,466,567	\$ 3,973,373	\$ 2,493,194
2016	5,849,510	3,515,775	2,333,735
2017	5,692,304	3,522,652	2,169,652
2018	5,168,402	3,159,391	2,009,011
2019	5,082,954	3,221,585	1,861,369
2020 - 2024	23,003,822	15,966,580	7,037,242
2025 - 2029	<u>20,987,663</u>	<u>18,225,000</u>	<u>2,762,663</u>
	<u><u>\$ 72,251,222</u></u>	<u><u>\$ 51,584,356</u></u>	<u><u>\$ 20,666,866</u></u>

Note 11: Defined Benefit Pension Plan

Plan Description

The Hospital's defined benefit pension plan is a single-employer defined benefit pension plan administered by the plan's board of trustees who are appointed by the County Commissioners of Clark County, Indiana. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective December 31, 2013, the Hospital amended the plan documents to freeze plan participation for employees hired on or after December 31, 2013, and to not accrue future additional benefits for all plan participants. The authority to establish and amend benefit provisions is set forth in Indiana Code 16-22-3-11. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing Clark Memorial Hospital, Human Resource Department, P.O. Box 69, Jeffersonville, IN 47131-0069 or by calling 812.283.2216.

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Funding Policy

The authority to establish and amend obligations of plan members is established by the written agreement between the Hospital's board of trustees and the plan administrator. Plan members are required to contribute 0% of their annual covered salary. The Hospital is required to contribute at an actuarially determined rate. The Hospital's annual required contribution for 2014 and 2013 was \$1,041,863 and \$3,413,365, respectively, and contributions made to the plan were \$1,370,000 and \$0 for 2014 and 2013, respectively.

Annual Pension Cost and Net Pension Obligation

The Hospital's annual pension cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Hospital's annual pension cost for the years, the amount actually contributed to the plan and changes in the Hospital's net pension obligation:

	2014	2013
Annual required contribution	\$ 1,041,863	\$ 3,413,365
Interest on net pension obligation	1,228,157	963,594
Adjustment to annual required contribution	<u>(1,363,675)</u>	<u>(1,069,919)</u>
Annual pension cost	906,345	3,307,040
Contributions made	<u>(1,370,000)</u>	<u>-</u>
Increase (decrease) in net pension obligation	(463,655)	3,307,040
Net pension obligation at beginning of the year	<u>15,351,961</u>	<u>12,044,921</u>
Net pension obligation at end of the year	<u><u>\$ 14,888,306</u></u>	<u><u>\$ 15,351,961</u></u>

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 75.7% funded. The actuarial accrued liability for benefits was \$48,235,817 and the actuarial value of assets was \$36,506,744 resulting in an unfunded actuarial accrued liability (UAAL) of \$11,729,073. The covered payroll (annual payroll of active employees covered by the plan) was \$61,590,512 and the ratio of the UAAL to the covered payroll was 19%.

As of December 31, 2014, the fair value of the pension trust fund assets had decreased to \$35,182,514.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The annual required contribution for 2014 was determined as part of an actuarial valuation on January 1, 2014, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases per year. The actuarial value of assets was determined using market value. The UAAL is being amortized on a level dollar basis over a 10-year period.

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2012	\$ 3,208,553	0%	\$ 12,044,921
December 31, 2013	\$ 3,307,040	0%	\$ 15,351,961
December 31, 2014	\$ 906,345	151%	\$ 14,888,306

Note 12: Defined Contribution Plan

The Hospital has a defined contribution plan covering substantially all employees. The Hospital has a discretionary matching contribution which was 100% of the first 4% of qualified earnings of eligible employees in 2014 and 2013. The discretionary matching contributions for the years ended December 31, 2014 and 2013, were \$1,461,433 and \$705,254, respectively.

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Note 13: Deferred Outflows of Resources

The Hospital has recorded deferred outflows of resources of \$324,665 and \$346,430 of deferred bond losses related to various defeased bond issuances at December 31, 2014 and 2013, respectively.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 7.

Incurred, But Not Reported, Employee Health Insurance Claims

Estimates of incurred, but not reported, health insurance claims are described in Note 8.

Note 15: Risk, Uncertainties and Contingencies

Litigation

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

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Note 16: Condensed Combining Statements and Restatement of Prior Years' Financial Statements

Restatement

The 2013 condensed combining financial statements presented below have been restated to correct an overstatement of accumulated depreciation as of January 1, 2013, in the Hospital's financial statements of \$4,646,622 and an understatement of accumulated depreciation in the same amount in CPG's financial statements as of January 1, 2013.

The correction for the misstatement of prior year accumulated depreciation resulted in a reduction of \$4,646,622 in the beginning net position as of January 1, 2013, for CPG, a decrease in net capital assets of CPG in the amount of \$4,646,622 as of December 31, 2013, an increase in net capital assets of the Hospital for the same amount as of December 31, 2013, and a reduction of other assets of the Hospital and eliminations as of December 31, 2013, of \$4,646,622. There was no effect on the increase (decrease) in net position for the year ended December 31, 2013, as a result of these adjustments.

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Condensed Combining Statements

The Hospital and its blended component units condensed statements were summarized as follows for the years ended December 31, 2014 and 2013:

Condensed Combining Statement of Net Position December 31, 2014

Assets and Deferred Outflows of Resources	Clark Memorial Hospital	Clark Physician Group	Clark County Hospital Foundation	Eliminations	Total
Current Assets					
Cash and cash equivalents	\$ 4,271,450	\$ 41,682	\$ 375,144	\$ -	\$ 4,688,276
Short-term investments	1,756,868	-	441,759	-	2,198,627
Restricted investments – current	2,129,787	-	-	-	2,129,787
Patient accounts receivable, net of allowance	16,248,867	1,490,891	-	-	17,739,758
Other receivables	8,419,670	30,429	-	(62,182)	8,387,917
Supplies	1,037,062	252,243	-	-	1,289,305
Prepaid expenses and other current assets	1,676,936	248,031	-	-	1,924,967
Total current assets	35,540,640	2,063,276	816,903	(62,182)	38,358,637
Noncurrent Cash and Investments					
Internally designated	-	-	1,871,333	-	1,871,333
Held by trustee for debt service and capital improvements	9,104,040	-	-	-	9,104,040
Restricted by donors for specific operating activities	-	-	83,590	-	83,590
	9,104,040	-	1,954,923	-	11,058,963
Less amount required to meet current obligations	2,129,787	-	-	-	2,129,787
	6,974,253	-	1,954,923	-	8,929,176
Capital Assets, Net	71,028,763	9,646,943	-	-	80,675,706
Other Assets					
Other	10,786,618	-	-	(8,993,027)	1,793,591
Total assets	124,330,274	11,710,219	2,771,826	(9,055,209)	129,757,110
Deferred Outflows of Resources	324,665	-	-	-	324,665
Total assets and deferred outflows of resources	\$ 124,654,939	\$ 11,710,219	\$ 2,771,826	\$ (9,055,209)	\$ 130,081,775
Liabilities and Net Position					
Current Liabilities					
Current maturities of long-term debt	\$ 3,973,373	\$ -	\$ -	\$ -	\$ 3,973,373
Note payable to bank	5,000,000	-	-	-	5,000,000
Payable to suppliers and contractors	8,784,995	174,718	-	-	8,959,713
Payable to employees (including payroll taxes and benefits)	4,873,856	2,542,474	-	-	7,416,330
Estimated amounts due to third-party payers	71,099	-	-	-	71,099
Accrued expenses	8,916,101	-	-	-	8,916,101
Due to affiliate	-	-	62,182	(62,182)	-
Total current liabilities	31,619,424	2,717,192	62,182	(62,182)	34,336,616
Long-Term Debt	47,610,983	-	-	-	47,610,983
Accrued Pension	14,888,306	-	-	-	14,888,306
Other Long-Term Liabilities	219,821	-	-	-	219,821
Total liabilities	94,338,534	2,717,192	62,182	(62,182)	97,055,726
Net Position					
Net investment in capital assets	19,444,407	9,646,943	-	-	29,091,350
Restricted-expendable for					
Debt service and capital improvements	9,104,040	-	-	-	9,104,040
Specific operating activities	-	-	83,590	-	83,590
Unrestricted	1,767,958	(653,916)	2,626,054	(8,993,027)	(5,252,931)
Total net position	30,316,405	8,993,027	2,709,644	(8,993,027)	33,026,049
Total liabilities and net position	\$ 124,654,939	\$ 11,710,219	\$ 2,771,826	\$ (9,055,209)	\$ 130,081,775

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Condensed Combining Statement of Net Position
December 31, 2013

Assets and Deferred Outflows of Resources	(Restated) Clark Memorial Hospital	(Restated) Clark Physician Group	Clark County Hospital Foundation	(Restated) Eliminations	Total
Current Assets					
Cash and cash equivalents	\$ 10,170,418	\$ 128,723	\$ 105,380	\$ -	\$ 10,404,521
Short-term investments	1,619,693	-	498,678	-	2,118,371
Restricted investments – current	2,120,523	-	-	-	2,120,523
Patient accounts receivable, net of allowance	15,203,642	1,317,738	-	-	16,521,380
Other receivables	672,623	-	58,000	(50,728)	679,895
Supplies	887,187	228,099	-	-	1,115,286
Prepaid expenses and other current assets	1,435,658	114,230	-	-	1,549,888
Total current assets	32,109,744	1,788,790	662,058	(50,728)	34,509,864
Noncurrent Cash and Investments					
Internally designated	-	-	1,833,945	-	1,833,945
Held by trustee for debt service and capital improvements	7,391,520	-	-	-	7,391,520
Restricted by donors for specific operating activities	-	-	76,711	-	76,711
	7,391,520	-	1,910,656	-	9,302,176
Less amount required to meet current obligations	2,120,523	-	-	-	2,120,523
	5,270,997	-	1,910,656	-	7,181,653
Capital Assets, Net	77,022,715	10,440,417	-	-	87,463,132
Other Assets					
Other	12,593,679	-	-	(9,802,971)	2,790,708
Total assets	126,997,135	12,229,207	2,572,714	(9,853,699)	131,945,357
Deferred Outflows of Resources	346,430	-	-	-	346,430
Total assets and deferred outflows of resources	\$ 127,343,565	\$ 12,229,207	\$ 2,572,714	\$ (9,853,699)	\$ 132,291,787
Liabilities and Net Position					
Current Liabilities					
Current maturities of long-term debt	\$ 3,541,651	\$ -	\$ -	\$ -	\$ 3,541,651
Payable to suppliers and contractors	6,818,630	100,412	-	-	6,919,042
Payable to employees (including payroll taxes and benefits)	5,196,981	2,325,824	-	-	7,522,805
Estimated amounts due to third-party payers	918,865	-	-	-	918,865
Accrued expenses	6,111,845	-	-	-	6,111,845
Due to affiliate	-	-	50,728	(50,728)	-
Total current liabilities	22,587,972	2,426,236	50,728	(50,728)	25,014,208
Long-Term Debt	49,049,696	-	-	-	49,049,696
Accrued Pension	15,351,961	-	-	-	15,351,961
Other Long-Term Liabilities	463,026	-	-	-	463,026
Total liabilities	87,452,655	2,426,236	50,728	(50,728)	89,878,891
Net Position					
Net investment in capital assets	24,431,368	10,440,417	-	-	34,871,785
Restricted for					
Debt service and capital improvements	7,391,520	-	-	-	7,391,520
Specific operating activities	-	-	76,711	-	76,711
Unrestricted	8,068,022	(637,446)	2,445,275	(9,802,971)	72,880
Total net position	39,890,910	9,802,971	2,521,986	(9,802,971)	42,412,896
Total liabilities and net position	\$ 127,343,565	\$ 12,229,207	\$ 2,572,714	\$ (9,853,699)	\$ 132,291,787

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**Condensed Combining Statement of Revenues,
Expenses and Changes in Net Position
Year Ended December 31, 2014**

	Clark Memorial Hospital	Clark Physician Group	Clark County Hospital Foundation	Eliminations	Total
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts	\$ 162,155,659	\$ 16,694,900	\$ -	\$ -	\$ 178,850,559
Other	3,653,784	861,945	500,490	-	5,016,219
Total operating revenues	165,809,443	17,556,845	500,490	-	183,866,778
Operating Expenses					
Salaries and benefits	69,395,612	19,990,118	-	-	89,385,730
Purchased services	22,898,608	1,337,911	144,677	-	24,381,196
Professional fees	2,808,049	56,768	-	-	2,864,817
Supplies	29,608,383	1,610,009	5,458	-	31,223,850
Hospital assessment fees	20,241,066	-	-	-	20,241,066
Other expenses	7,390,896	1,693,437	253,858	-	9,338,191
Depreciation and amortization	10,922,141	886,680	-	-	11,808,821
Total operating expenses	163,264,755	25,574,923	403,993	-	189,243,671
Operating Income (Loss)	2,544,688	(8,018,078)	96,497	-	(5,376,893)
Nonoperating Revenues (Expenses)					
Investment income	175,211	-	84,283	-	259,494
Interest expense	(2,748,745)	(68,568)	-	-	(2,817,313)
Gain (loss) on investment in equity investees	(8,886,929)	-	-	8,086,646	(800,283)
Other	(658,730)	-	6,878	-	(651,852)
Total nonoperating revenues (expenses)	(12,119,193)	(68,568)	91,161	8,086,646	(4,009,954)
Excess (Deficiency) of Revenues Over Expenses	(9,574,505)	(8,086,646)	187,658	8,086,646	(9,386,847)
Transfers From Affiliates	-	7,276,702	-	(7,276,702)	-
Increase (Decrease) in Net Position	(9,574,505)	(809,944)	187,658	809,944	(9,386,847)
Net Position, Beginning of Year	39,890,910	9,802,971	2,521,986	(9,802,971)	42,412,896
Net Position, End of Year	\$ 30,316,405	\$ 8,993,027	\$ 2,709,644	\$ (8,993,027)	\$ 33,026,049

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**Condensed Combining Statement of Revenues,
Expenses and Changes in Net Position
Year Ended December 31, 2013**

	(Restated) Clark Memorial Hospital	(Restated) Clark Physician Group	Clark County Hospital Foundation	(Restated) Eliminations	Total
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts	\$ 145,863,858	\$ 16,445,318	\$ -	\$ -	\$ 162,309,176
Other	5,450,913	500,779	537,622	-	6,489,314
Total operating revenues	151,314,771	16,946,097	537,622	-	168,798,490
Operating Expenses					
Salaries and benefits	71,670,156	18,465,221	-	-	90,135,377
Purchased services	19,839,747	1,488,783	141,108	-	21,469,638
Professional fees	2,574,370	98,240	-	-	2,672,610
Supplies	28,694,974	1,490,073	9,528	-	30,194,575
Hospital assessment fees	7,347,808	-	-	-	7,347,808
Other expenses	6,319,735	1,769,494	142,311	-	8,231,540
Depreciation and amortization	10,718,977	837,122	-	-	11,556,099
Total operating expenses	147,165,767	24,148,933	292,947	-	171,607,647
Operating Income (Loss)	4,149,004	(7,202,836)	244,675	-	(2,809,157)
Nonoperating Revenues (Expenses)					
Investment income	282,531	589	178,299	-	461,419
Interest expense	(2,703,081)	(67,394)	-	-	(2,770,475)
Gain (loss) on investment in equity investees	(6,538,145)	-	-	7,269,641	731,496
Other	(115,815)	-	5,831	-	(109,984)
Total nonoperating revenues (expenses)	(9,074,510)	(66,805)	184,130	7,269,641	(1,687,544)
Excess (Deficiency) of Revenues Over Expenses	(4,925,506)	(7,269,641)	428,805	7,269,641	(4,496,701)
Transfers From Affiliates	-	14,734,552	-	(14,734,552)	-
Increase (Decrease) in Net Position	(4,925,506)	7,464,911	428,805	(7,464,911)	(4,496,701)
Net Position, Beginning of Year, as Previously Reported	44,816,416	6,984,682	2,093,181	(6,984,682)	46,909,597
Adjustment Applicable to Prior Years	-	(4,646,622)	-	4,646,622	-
Net Position, Beginning of Year, as Restated	44,816,416	2,338,060	2,093,181	(2,338,060)	46,909,597
Net Position, End of Year, as Restated	\$ 39,890,910	\$ 9,802,971	\$ 2,521,986	\$ (9,802,971)	\$ 42,412,896

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Condensed Combining Statement of Cash Flows Year Ended December 31, 2014

	Clark Memorial Hospital	Clark Physician Group	Clark County Hospital Foundation	Eliminations	Total
Operating Activities					
Receipts from and on behalf of patients	\$ 152,527,075	\$ 16,521,747	\$ -	\$ -	\$ 169,048,822
Payments to suppliers and contractors	(78,613,905)	(4,781,764)	(403,993)	-	(83,799,662)
Payments to employees	(70,182,392)	(19,773,468)	-	-	(89,955,860)
Other receipts, net	3,653,784	831,516	558,490	-	5,043,790
Change in due/to affiliates	(11,454)	-	11,454	-	-
Net cash provided by (used in) operating activities	7,373,108	(7,201,969)	165,951	-	337,090
Capital and Related Financing Activities					
Proceeds from issuance of note payable to bank	5,000,000	-	-	-	5,000,000
Proceeds from issuance of long-term debt	2,760,809	-	-	-	2,760,809
Principal paid on long-term debt	(3,767,800)	-	-	-	(3,767,800)
Interest paid on note payable to bank and long-term debt	(2,726,980)	(68,568)	-	-	(2,795,548)
Purchase of capital assets	(4,987,979)	(220,048)	-	-	(5,208,027)
Net cash used in capital and related financing activities	(3,721,950)	(288,616)	-	-	(4,010,566)
Investing Activities					
Proceeds from disposition of investments	2,746,690	-	93,122	-	2,839,812
Purchase of investments	(4,547,883)	-	-	-	(4,547,883)
Interest and dividends on investments	126,709	-	3,813	-	130,522
Transfer (to) from affiliates	(7,276,702)	7,276,702	-	-	-
Other	(598,940)	126,842	6,878	-	(465,220)
Net cash provided by (used in) investing activities	(9,550,126)	7,403,544	103,813	-	(2,042,769)
Increase (Decrease) in Cash and Cash Equivalents	(5,898,968)	(87,041)	269,764	-	(5,716,245)
Cash and Cash Equivalents, Beginning of Year	10,170,418	128,723	105,380	-	10,404,521
Cash and Cash Equivalents, End of Year	\$ 4,271,450	\$ 41,682	\$ 375,144	\$ -	\$ 4,688,276
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 2,544,688	\$ (8,018,078)	\$ 96,497	\$ -	\$ (5,376,893)
Depreciation and amortization	10,922,141	886,680	-	-	11,808,821
Provision for uncollectible accounts	30,893,902	575,718	-	-	31,469,620
Changes in operating assets and liabilities					
Patient accounts receivable	(31,939,127)	(748,871)	-	-	(32,687,998)
Estimated amounts due to third-party payers	(847,766)	-	-	-	(847,766)
Accounts payable and accrued expenses	3,740,636	290,956	-	-	4,031,592
Prepaid assets, supplies and other assets	(7,929,912)	(188,374)	58,000	-	(8,060,286)
Due from/to affiliates	(11,454)	-	11,454	-	-
Net cash provided by (used in) operating activities	\$ 7,373,108	\$ (7,201,969)	\$ 165,951	\$ -	\$ 337,090
Supplemental Cash Flows Information					
Capital leases incurred for equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Property, plant and equipment transfer to affiliate	\$ -	\$ -	\$ -	\$ -	\$ -

Clark Memorial Hospital

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Notes to Financial Statements

December 31, 2014 and 2013

Condensed Combining Statement of Cash Flows Year Ended December 31, 2013

	Clark Memorial Hospital	Clark Physician Group	Clark County Hospital Foundation	Eliminations	Total
Operating Activities					
Receipts from and on behalf of patients	\$ 148,751,422	\$ 16,335,169	\$ -	\$ -	\$ 165,086,591
Payments to suppliers and contractors	(61,573,388)	(4,749,340)	(292,947)	-	(66,615,675)
Payments to employees	(69,044,453)	(18,161,780)	-	-	(87,206,233)
Other receipts, net	5,322,934	539,630	929,526	-	6,792,090
Change in due from/to affiliates	(21,529)	-	21,529	-	-
Net cash provided by (used in) operating activities	23,434,986	(6,036,321)	658,108	-	18,056,773
Capital and Related Financing Activities					
Proceeds from issuance of note payable to bank	4,500,000	-	-	-	4,500,000
Proceeds from issuance of long-term debt	239,194	-	-	-	239,194
Principal paid on note payable to bank	(6,000,000)	-	-	-	(6,000,000)
Principal paid on long-term debt	(3,500,328)	-	-	-	(3,500,328)
Interest paid on note payable to bank and long-term debt	(2,681,314)	(67,394)	-	-	(2,748,708)
Purchase of capital assets	(5,269,734)	(3,000,522)	-	-	(8,270,256)
Net cash used in capital and related financing activities	(12,712,182)	(3,067,916)	-	-	(15,780,098)
Investing Activities					
Proceeds from disposition of investments	1,597,156	-	578,797	-	2,175,953
Purchase of investments	(140,742)	-	(1,795,973)	-	(1,936,715)
Interest and dividends on investments	124,455	589	19,502	-	144,546
Proceeds from sale of assets	486,486	-	-	-	486,486
Transfer (to) from affiliates	(9,191,088)	9,191,088	-	-	-
Other	(115,815)	-	5,831	-	(109,984)
Net cash provided by (used in) investing activities	(7,239,548)	9,191,677	(1,191,843)	-	760,286
Increase (Decrease) in Cash and Cash Equivalents	3,483,256	87,440	(533,735)	-	3,036,961
Cash and Cash Equivalents, Beginning of Year	6,687,162	41,283	639,115	-	7,367,560
Cash and Cash Equivalents, End of Year	\$ 10,170,418	\$ 128,723	\$ 105,380	\$ -	\$ 10,404,521
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 4,149,004	\$ (7,202,836)	\$ 244,675	\$ -	\$ (2,809,157)
Depreciation and amortization	10,718,977	837,122	-	-	11,556,099
Provision for uncollectible accounts	37,645,584	650,191	-	-	38,295,775
Gain on disposition of assets	(127,979)	-	-	-	(127,979)
Changes in operating assets and liabilities					
Patient accounts receivable	(37,578,253)	(760,340)	-	-	(38,338,593)
Estimated amounts due to third-party payers	(1,206,881)	-	-	-	(1,206,881)
Accounts payable and accrued expenses	3,781,067	273,837	-	-	4,054,904
Prepaid assets, supplies and other assets	6,074,996	165,705	391,904	-	6,632,605
Due from/to affiliates	(21,529)	-	21,529	-	-
Net cash provided by (used in) operating activities	\$ 23,434,986	\$ (6,036,321)	\$ 658,108	\$ -	\$ 18,056,773
Supplemental Cash Flows Information					
Capital leases incurred for equipment	\$ 853,975	\$ -	\$ -	\$ -	\$ 853,975
Property, plant and equipment transfer to affiliate	\$ (5,543,464)	\$ 5,543,464	\$ -	\$ -	\$ -

Required Supplementary Information

Clark Memorial Hospital
A Component Unit of Clark County, Indiana
Schedule of Funding Progress
December 31, 2014

Required Supplementary Information

Schedule of funding progress for defined employee pension plan consisted of the following:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) – Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2012	\$ 38,399	\$ 48,306	\$ 9,907	79%	\$ 59,076	17%
January 1, 2013	\$ 36,312	\$ 51,469	\$ 15,157	71%	\$ 58,908	26%
January 1, 2014	\$ 36,506	\$ 48,236	\$ 11,730	76%	\$ 61,591	19%