



**STATE OF INDIANA**  
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June 13, 2016

Board of Directors  
Adams County Memorial Hospital  
1100 Mercer Avenue, P.O. Box 151  
Decatur, IN 46733

We have reviewed the audit report prepared by Somerset CPAs, 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 Auditor's Report, the financial statements included in the report present fairly the financial condition of the Adams County 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 audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF  
ADAMS COUNTY, INDIANA  
Consolidated Financial Statements  
Year Ended December 31, 2014**

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA**

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## Independent Auditors' Report

To the Governing Board of the Hospital  
ADAMS COUNTY MEMORIAL HOSPITAL  
Decatur, Indiana

We have audited the accompanying consolidated financial statements of ADAMS COUNTY MEMORIAL HOSPITAL (Hospital), a component unit of Adams County, Indiana, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and the Guidelines for Audits of County and City Hospitals by Independent Certified Public Accountants, issued by the Indiana State Board of Accounts. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, a component unit of Adams County, Indiana, as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter Regarding Omission of Management's Discussion and Analysis*

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



March 18, 2016

**ADAMS COUNTY MEMORIAL HOSPITAL**  
**A COMPONENT UNIT OF ADAMS COUNTY, INDIANA**  
**Consolidated Balance Sheet**  
**December 31, 2014**

<b>Assets and Deferred Outflows</b>	<b>Primary Government</b>	<b>Discrete Component Unit</b>	<b>Total Reporting Entity</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 40,330,083	\$ 203,810	\$ 40,533,893
Patient accounts receivable, net of allowance of \$14,767,221	30,213,759	0	30,213,759
Certificates of deposit	1,489,989	0	1,489,989
Other current assets	4,408,452	0	4,408,452
<b>Total Current Assets</b>	<b>76,442,283</b>	<b>203,810</b>	<b>76,646,093</b>
<b>Noncurrent Cash and Investments</b>			
Internally designated	1,507,543	0	1,507,543
Held by trustee for debt service	4,531,231	0	4,531,231
<b>Total Noncurrent Cash and Investments</b>	<b>6,038,774</b>	<b>0</b>	<b>6,038,774</b>
<b>Capital Assets</b>			
Land and construction in progress	1,554,693	0	1,554,693
Depreciable capital assets, net	46,102,129	0	46,102,129
<b>Total Capital Assets</b>	<b>47,656,822</b>	<b>0</b>	<b>47,656,822</b>
<b>Other Assets</b>	<b>1,045,316</b>	<b>0</b>	<b>1,045,316</b>
<b>Total Assets</b>	<b>131,183,195</b>	<b>203,810</b>	<b>131,387,005</b>
<b>Deferred Outflows - Deferred Loss on Bond Refunding</b>			
	1,266,077	0	1,266,077
<b>Total Assets and Deferred Outflows</b>	<b>\$ 132,449,272</b>	<b>\$ 203,810</b>	<b>\$ 132,653,082</b>

<b>Liabilities and Net Position</b>	<b>Primary Government</b>	<b>Discrete Component Unit</b>	<b>Total Reporting Entity</b>
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 1,415,372	\$ 0	\$ 1,415,372
Line of credit	1,980,493	0	1,980,493
Accounts payable and accrued expenses	27,287,344	0	27,287,344
Estimated third-party settlements	2,279,100	0	2,279,100
Other current liabilities	4,768,339	0	4,768,339
<b>Total Current Liabilities</b>	<b>37,730,648</b>	<b>0</b>	<b>37,730,648</b>
<b>Long-term Liabilities</b>			
Long-term debt, less current maturities	32,968,718	0	32,968,718
Other long-term liabilities	815,285	0	815,285
<b>Total Long-term Liabilities</b>	<b>33,784,003</b>	<b>0</b>	<b>33,784,003</b>
<b>Total Liabilities</b>	<b>71,514,651</b>	<b>0</b>	<b>71,514,651</b>
<b>Net Position</b>			
Net investment in capital assets	13,540,051	0	13,540,051
Restricted for debt service	4,531,231	0	4,531,231
Unrestricted	42,863,339	203,810	43,067,149
<b>Total Net Position</b>	<b>60,934,621</b>	<b>203,810</b>	<b>61,138,431</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 132,449,272</b>	<b>\$ 203,810</b>	<b>\$ 132,653,082</b>

See accompanying notes.

**ADAMS COUNTY MEMORIAL HOSPITAL**  
**A COMPONENT UNIT OF ADAMS COUNTY, INDIANA**  
**Consolidated Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2014**

	<u>Primary Government</u>	<u>Discrete Component Unit</u>	<u>Total Reporting Entity</u>
<b>Operating Revenue</b>			
Net patient service revenue (net of provision for uncollectible accounts)	\$ 229,406,441	\$ 0	\$ 229,406,441
Other operating revenue	5,745,452	0	5,745,452
Total Operating Revenue	<u>235,151,893</u>	<u>0</u>	<u>235,151,893</u>
<b>Operating Expenses</b>			
Salaries, wages and benefits	106,424,166	0	106,424,166
Supplies	19,413,509	0	19,413,509
Insurance	7,123,965	0	7,123,965
Facility and equipment leases	15,804,098	0	15,804,098
Utilities	5,702,839	0	5,702,839
Contract services	36,425,244	0	36,425,244
Depreciation and amortization	4,191,601	0	4,191,601
Other	30,842,564	106,400	30,948,964
Total Operating Expenses	<u>225,927,986</u>	<u>106,400</u>	<u>226,034,386</u>
<b>Operating Income (Loss)</b>	<u>9,223,907</u>	<u>(106,400)</u>	<u>9,117,507</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	185,773	0	185,773
Interest expense	(1,516,745)	0	(1,516,745)
Other	7,067,446	0	7,067,446
Total Nonoperating Revenues (Expenses)	<u>5,736,474</u>	<u>0</u>	<u>5,736,474</u>
<b>Excess of Revenues Over Expenses</b>			
<b>Before Capital Grants and Contributions</b>	14,960,381	(106,400)	14,853,981
Capital Grants and Contributions	<u>1,252,763</u>	<u>133,707</u>	<u>1,386,470</u>
<b>Increase in Net Position</b>	<u>16,213,144</u>	<u>27,307</u>	<u>16,240,451</u>
<b>Net Position, Beginning of Year</b>	<u>44,721,477</u>	<u>176,503</u>	<u>44,897,980</u>
<b>Net Position, End of Year</b>	<u>\$ 60,934,621</u>	<u>\$ 203,810</u>	<u>\$ 61,138,431</u>

See accompanying notes.

**ADAMS COUNTY MEMORIAL HOSPITAL**  
**A COMPONENT UNIT OF ADAMS COUNTY, INDIANA**  
**Consolidated Statement of Cash Flows**  
**December 31, 2014**

	<b>Primary Government</b>	<b>Discrete Component Unit</b>	<b>Total</b>
<b>Operating Activities</b>			
Receipts from and on behalf of patients	\$ 233,448,650	\$ 0	\$ 233,448,650
Payments to suppliers and contractors	(117,446,224)	(106,400)	(117,552,624)
Payments to employees	(105,474,869)	0	(105,474,869)
Other receipts, net	6,369,449	0	6,369,449
Net cash provided by (used in) operating activities	<u>16,897,006</u>	<u>(106,400)</u>	<u>16,790,606</u>
<b>Capital and Related Financing Activities</b>			
Capital grants and contributions	1,252,763	133,707	1,386,470
Borrowings on line of credit	1,980,493	0	1,980,493
Principal paid on long-term debt	(3,640,191)	0	(3,640,191)
Interest paid on long-term debt	(1,653,489)	0	(1,653,489)
Proceeds from sale of capital assets	228,281	0	228,281
Purchase of capital assets	(3,839,168)	0	(3,839,168)
Net cash provided by (used in) capital and related financing activities	<u>(5,671,311)</u>	<u>133,707</u>	<u>(5,537,604)</u>
<b>Cash Flows from Investing Activities</b>			
Investment income	185,773	0	185,773
Purchase of certificates of deposit	(1,489,989)	0	(1,489,989)
Net cash used in investing activities	<u>(1,304,216)</u>	<u>0</u>	<u>(1,304,216)</u>
Net Increase in Cash and Cash Equivalents	9,921,479	27,307	9,948,786
Cash and Cash Equivalents, Beginning of Year	<u>36,447,378</u>	<u>176,503</u>	<u>36,623,881</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 46,368,857</u></u>	<u><u>\$ 203,810</u></u>	<u><u>\$ 46,572,667</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet			
Cash and cash equivalents in current assets	\$ 40,330,083	\$ 203,810	\$ 40,533,893
Restricted cash and cash equivalents	<u>6,038,774</u>	<u>0</u>	<u>6,038,774</u>
Total Cash and Cash Equivalents	<u><u>\$ 46,368,857</u></u>	<u><u>\$ 203,810</u></u>	<u><u>\$ 46,572,667</u></u>

See accompanying notes.



**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Consolidated Statement of Cash Flows (Continued)  
December 31, 2014**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 9,223,907	\$ (106,400)	\$ 9,117,507
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:			
Depreciation and amortization	4,191,601	0	4,191,601
Loss on disposal of assets	987,857	0	987,857
Provision for uncollectible accounts	(2,848,580)	0	(2,848,580)
Changes in operating assets and liabilities			
Patient accounts receivable	6,890,789	0	6,890,789
Supplies and other current assets	(431,885)	0	(431,885)
Other assets related to operating activities	(264,135)	0	(264,135)
Accounts payable and accrued expenses	(1,142,420)	0	(1,142,420)
Other current liabilities	169,648	0	169,648
Estimated third-party payor settlements	176,211	0	176,211
Other liabilities related to operating activities	<u>(55,987)</u>	<u>0</u>	<u>(55,987)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 16,897,006</u>	<u>\$ (106,400)</u>	<u>\$ 16,790,606</u>

See accompanying notes.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

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

**Nature of Operations and Reporting Entity**

Adams County Memorial Hospital (Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22-2-2. The Hospital provides acute inpatient and outpatient health care.

The Board of County Commissioners of Adams County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Adams County and the Hospital. For these reasons, the Hospital is considered a component unit of Adams County.

The Hospital also operates Adams Woodcrest, a Continuing Care Retirement Community (CCRC), consisting of Woodcrest Nursing Center, a 143-bed nursing facility; Adams Evergreen Assisted Living, a 34-apartment assisted living community; Woodcrest Independent Living with 42 villas and 48 apartments. The Hospital also operates Adams Heritage, a 61-bed nursing facility. The Hospital owns and operates Physicians Office Practices. Adams Health Network is a financial entity created to accumulate and then assign shared costs to each of the six aforementioned entities. Adams Health Network also performs certain administrative functions for all entities. The Hospital leases certain office buildings to multiple independent physicians. In addition, the Hospital employs and operates family medical practices, general surgical practices, and an orthopedic surgery practice as departments of the Hospital.

The accompanying consolidated financial statements present the activities of the Hospital (primary government) and its significant component units. The discretely presented component unit discussed below is included in the Hospital's reporting entity because of the significance of its' operational or financial relationship with the Hospital. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the basic consolidated financial statements to emphasize that it is legally separate from the Hospital.

**Long-term Care Operations**

The Hospital owns the operations of 31 long-term care facilities by way of arrangements with the Managers of the facilities. These facilities provide nursing and therapy services. Gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the Managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the Managers. Additionally, the Hospital entered into agreements with the Managers to manage the above leased facilities on behalf of the Hospital. As part of the agreements entered into, the Hospital pays the Managers a management fee which consists of base management fees, subordinated management fees and incentive payments. The agreements expire at various times through 2016.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Long-term Care Operations (Continued)**

All parties involved can terminate the agreement without cause with 90 days written notice. The terms of these agreements are automatically renewed at the end of each term on a two year basis.

**Discretely Presented Component Unit**

The Adams County Memorial Hospital Foundation (Foundation) is a significant discretely presented component unit of the Hospital. The primary government appoints a voting majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation.

A separate audit report is not prepared for the individual component unit.

**Enterprise Fund Accounting**

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Revenues and expenses are subject to accrual.

**Use of Estimates**

The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less. The carrying amount reported in the Consolidated Balance Sheet for cash and cash equivalents approximates its fair value. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. At times, such amounts may be in excess of the FDIC insured limit. The Company has never experienced any losses related to these balances.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Investments**

Short-term investments are investments with remaining maturities of up to 90 days. Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency. Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value. Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating revenues in the Consolidated Statement of Revenues, Expenses and Changes in Net Position.

**Limited Use Investments and Assets**

Limited use assets are stated at fair market value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes. These investments consist primarily of cash and cash equivalents, certificates of deposit stated at contract value, U.S. government securities, mutual funds and corporate stock. Investment interest, dividends, gains and losses, both realized and unrealized, are included in non-operating revenues (expenses) in the Consolidated Statement of Revenues, Expenses and Changes in Net Position.

**Supplies**

Inventories of drugs and other supplies are stated at the lower of cost (first-in, first-out) or market and are included within other current assets in the Hospital's Consolidated Balance Sheet.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Capital Assets and Depreciation**

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method.

The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	3 - 40 years
Buildings	5 - 40 years
Fixed equipment	3 - 29 years
Major moveable equipment	3 - 23 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**Compensated Services**

All employees earn PTO at rates from 18 days to 33 days per year based upon the number of years of service. PTO accumulates to a maximum of 60 days. Paid days off are accrued when incurred and reported as a liability.

**Net Position**

Net assets of the Hospital are classified in three components:

Net investment in capital assets consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Net Position (Continued)**

Restricted expendable and nonexpendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, contributors or enabling legislation external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 8.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

**Patient Accounts Receivable and Patient Service Revenues**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. Accounts receivable for patients, insurance companies and governmental agencies are based on gross charges net of an allowance for contractual adjustments and interim payment advances. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors. Management estimates an allowance for doubtful accounts receivable based on evaluations of historical losses, current economic conditions and other factors unique to the Hospital's customer base.

Net patient service revenue represents the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care**

The Hospital has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Because the agency does not expect payment, estimated charges for charity are not included in revenue. Charges excluded from revenue under the Hospital's charity care policy were approximately \$784,000 for 2014.

**Grants and Contributions**

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

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Endowments**

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Governing Board of the Hospital to authorize for expenditure the net appreciation of the investments of endowment funds.

**Restricted Resources**

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

**Operating Revenues, Expenses and Changes in Net Position**

The Hospital's Consolidated Statement of Revenues, Expenses and Changes in Net Position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Fair Value of Financial Instruments**

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

*Cash and cash equivalents, accounts payable and accrued expenses, other current liabilities and estimated third-party settlements:* The carrying amount reported in the consolidated balance sheet for cash and cash equivalents, accounts payable and accrued expenses, other current liabilities and estimated third-party settlements approximate fair value based on short-term maturity.

*Long-term debt:* The fair value of the Hospital's fixed rate debt (including capital lease obligations) is estimated using discounted cash flows based on current fixed rates available to similar entities with similar credit ratings. As of December 31, 2014, the carrying value of the fixed rate long-term debt approximated its fair value.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Income Taxes**

The Hospital is a governmental entity organized under the state laws of Indiana. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986. As a governmental entity, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax.

The Foundation is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax. The Foundation has filed its federal and state income tax returns for periods through December 31, 2014. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and Foundation and recognize a tax liability if these organizations have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these organizations, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

**Advertising and Community Relations**

The Hospital records advertising and community relations expense in the period incurred. Total expense for advertising and community relations was approximately \$554,000 for the year ended December 31, 2014.



**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Medical Malpractice**

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently.

The Indiana Medical Malpractice Act provides for a maximum recovery of \$1,250,000 per occurrence (\$7,500,000 annual aggregate) with the first \$250,000 covered by the Hospital's Insurance and the remainder by the Fund.

**Note 2- Net Patient Service Revenue**

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

**Medicare**

Hospital inpatient acute care services rendered to traditional Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate with a final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Hospital inpatient psychiatric services and skilled nursing care are paid based on prospectively determined rates. Outpatient hospital services are paid based on a percent of submitted charges (adjusted at least annually) and fee schedules. Physician services are paid based on a fee schedule. Services to beneficiaries enrolled in Medicare Advantage plans are paid through a variety of methodologies including per diem rates, fee schedules and percent of submitted charges.

**Medicaid**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on diagnosis. Outpatient services are reimbursed based on a fee schedule.

The Hospital is also eligible for Indiana Medicaid Supplemental programs including Medicaid Disproportionate Share Hospital (DSH) and Municipal Hospital Upper Payment Limit (UPL) programs. These programs are administered by the State of Indiana, but rely on Federal funding.

Revenue from the Medicare and Medicaid programs accounted for approximately 47% and 32%, respectively, of the Hospital's net patient revenue for the year ended December 31, 2014. 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.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 2- Net Patient Service Revenue (Continued):**

**Other Payors**

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

The following is a summary of net patient service revenue for 2014:

	<b>Primary Government</b>
Patient service revenue	
Inpatient	\$ 28,513,695
Outpatient	69,251,856
Long-term care operations	222,672,397
Gross patient service revenue	320,437,948
Deductions from revenue	
Contractual allowances	79,493,496
Provision for bad debts	10,754,011
Charity care	784,000
Total deductions from revenue	91,031,507
Net patient service revenue	\$ 229,406,441

**Note 3 - Deposits and Investments:**

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 16-22-3-16 allows a Hospital Governing Board to deposit public funds in a financial institution. At December 31, 2014, the Hospital had deposit balances in the amount of \$47,858,846.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Indiana Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
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**Note 3 - Deposits and Investments (Continued):**

**Statutory Authorization for Investments**

Indiana Code 16-22-3-20 authorizes the Hospital to invest in:

Any interest bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana.

Repurchase or resale agreements involving the purchase and guaranteed resale of any interest bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in which type of agreement the amount of money must be fully collateralized by interest bearing obligations as determined by the current market value computed on the day the agreement is effective.

Mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana.

Securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Pooled fund investments for participating hospitals offered, managed and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

*Interest rate risk* – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

*Credit risk* – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith the credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

*Concentration of credit risk* – The Hospital places a limit on the amount it may invest in any one issuer. The Hospital believes that it is not exposed to any significant credit risk on investments.

**ADAMS COUNTY MEMORIAL HOSPITAL  
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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 year end consisted of these amounts:

	<b>Primary Government</b>
Medicare	\$ 14,513,422
Medicaid	13,746,656
Other third-party payors	11,133,729
Private pay	<u>6,620,973</u>
	46,014,780
Less allowance for uncollectible accounts	<u>15,801,021</u>
Patient accounts receivable, net	<u><u>\$ 30,213,759</u></u>

**Note 5 - Internally Designated Assets:**

Assets set aside by the Hospital Board of Trustees for identified purposes and over which the Board retains control and may, at its discretion, subsequently use for other purposes. Total internally designated assets consisted of cash and cash equivalents of \$1,507,543 at December 31, 2014.

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**Note 6 - Capital Assets:**

Primary government capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 818,750	\$ 0	\$ 0	\$ 0	\$ 818,750
Construction in progress	712,249	1,417,468	0	(1,393,774)	735,943
Land improvements	4,240,958	1,180,302	673,241	25,881	4,773,900
Buildings	55,814,134	9,090	423,253	671,665	56,071,636
Fixed equipment	4,924,142	99,102	0	133,447	5,156,691
Major movable equipment	23,631,362	1,062,215	309,319	562,781	24,947,039
Clinic	4,908,776	44,882	0	0	4,953,658
<b>Total Capital Assets</b>	<b>\$ 95,050,371</b>	<b>\$ 3,813,059</b>	<b>\$ 1,405,813</b>	<b>\$ 0</b>	<b>\$ 97,457,617</b>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
Land improvements	\$ 1,893,357	\$ 208,784	\$ 29,790	\$ 0	\$ 2,072,351
Buildings	21,790,952	1,955,304	93,114	0	23,653,142
Fixed equipment	1,973,308	281,320	0	0	2,254,628
Major movable equipment	17,325,885	1,577,739	74,956	0	18,828,668
Clinic	2,841,476	150,530	0	0	2,992,006
<b>Total Accumulated Depreciation</b>	<b>45,824,978</b>	<b>4,173,677</b>	<b>197,860</b>	<b>0</b>	<b>49,800,795</b>
<b>Total Capital Assets, Net</b>	<b>\$ 49,225,393</b>	<b>\$ (360,618)</b>	<b>\$ 1,207,953</b>	<b>\$ 0</b>	<b>\$ 47,656,822</b>

**Note 7 - Long-term Obligations:**

Primary government long-term obligation activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue Bonds					
Series 2012	\$ 33,864,672	\$ 0	\$ 1,164,999	\$ 32,699,673	\$ 1,187,508
Loans payable	2,594,286	0	2,326,967	267,319	177,059
Capital lease obligations	363,758	0	48,933	314,825	50,805
	36,822,716	<u>\$ 0</u>	<u>\$ 3,540,899</u>	33,281,817	<u>\$ 1,415,372</u>
Unamortized bond premium	1,201,565			1,102,273	
	<u>\$ 38,024,281</u>			<u>\$ 34,384,090</u>	

**ADAMS COUNTY MEMORIAL HOSPITAL**  
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**Notes to Consolidated Financial Statements**  
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**Note 7 - Long-term Obligations (Continued):**

**Revenue Bonds Payable**

**Series 2012**

In October 2012, the Hospital participated in the issuance of \$34,710,000 Lease Rental Revenue Refunding Bonds, Series 2012 (Series 2012). On March 31, 2013, the First Supplemental Trust Indenture was entered into and the agreement amended the principal balance, interest rates and maturity dates of the original indenture of the Series 2012 Bonds. As amended, the Series 2012 bonds bear interest at rates ranging from 2.0% to 5.0% annually. Interest on the Series 2012 Bonds shall be payable on February 1 and August 1 of each year, commencing on February 1, 2013. The Series 2012 Bonds require annual principal payments on January 15 of each year beginning in 2014 in amounts ranging from \$1,165,000 to \$2,600,000 through January 2033.

The original proceeds of the Series 2012 Bonds were used for the advanced refunding of the Series 2003 Bonds in 2012.

The Trust Indenture requires certain funds be established with the trustee. Accordingly, these funds are included as assets under the caption Held by trustee for debt service in the Hospital's Consolidated Balance Sheet at December 31, 2014.

The Hospital has pledged, as security for bonds issued by the Indiana Bond Bank, a portion of the Hospital's revenues. The Hospital has committed to appropriate each year, from the Hospital's revenue, amounts sufficient to cover the principal and interest requirements on the Hospital's debt. The Hospital has pledged, as the sole security for the bonds, the annual appropriations from the Hospital.

**Loans Payable**

In 2011, the Hospital entered into a \$2,650,000 note payable which was utilized for improving the Hospital's continuing care community and to partially fund the construction of a medical office building for Hospital employed physicians. The note is payable monthly with annual interest at a rate equal to 67.00% of the sum of the LIBOR plus 2.75% and was paid in full in 2014.

In 2012, the Hospital entered into an \$180,000 note payable which was utilized for leasehold improvements for one of the Hospital's leased nursing home facilities as discussed in Note 1. The note is payable monthly through November 2015 with annual interest at 5.25% and amounted to \$147,319 at December 31, 2014.

In 2013, the Hospital entered into a \$150,300 note payable which was utilized for leasehold improvements for one of the Hospital's leased nursing home facilities as discussed in Note 1. The note is payable monthly through July 2018 with annual interest at 2.00% and amounted to \$120,000 at December 31, 2014.

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**Note 7 - Long-term Obligations (Continued):**

**Loans Payable (Continued)**

Aggregate maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,415,372	\$ 955,714	\$ 2,371,086
2016	1,304,493	917,992	2,222,485
2017	1,344,375	879,152	2,223,527
2018	1,398,913	839,102	2,238,015
2019	1,419,451	797,411	2,216,862
2020 - 2024	7,805,004	3,774,135	11,579,139
2025 - 2029	9,508,550	2,603,384	12,111,934
2030 - 2034	9,085,659	1,177,102	10,262,761
	<u>\$ 33,281,817</u>	<u>\$ 11,943,992</u>	<u>\$ 45,225,809</u>

**Line of Credit**

In September 2014, the Hospital entered into a \$6,000,000 revolving credit agreement which was utilized for leasehold improvements and operations for several of the Hospital's leased nursing home facilities as discussed in Note 1. The agreement is set to mature in September 2018 and bears interest at LIBOR plus 3.50% (3.67% at December 31, 2014). Amounts borrowed are secured by substantially all of the skilled nursing facility assets. The Hospital is required to maintain compliance with specific financial covenants. Outstanding borrowings at December 31, 2014, were \$1,980,493.

**Note 8 - Restricted Net Assets:**

Restricted, expendable net assets are available for the following purposes:

Hospital debt service	<u>\$ 4,531,231</u>
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Unless the contributor provides specific instructions, state statute permits the Hospital Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

Restricted nonexpendable net assets as of December 31, 2014, represent principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support programs as established by the contributor.

**ADAMS COUNTY MEMORIAL HOSPITAL  
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**Note 9 - Risk Management:**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Further, the risks of medical benefits to employees, retirees and dependents (excluding postemployment benefits) are covered by the Hospitals' health plan policy that covers those services that are to be provided outside of the Hospital network of internally provided services. There were no significant reductions in insurance and no settled claims from these risks that have exceeded this coverage.

**Note 10 - Medical Benefits to Employees:**

The Hospital has chosen to service a portion of the risks associated with medical benefits to employees for medical procedures that are able to be provided by the Hospital. The Hospital also has a traditional medical benefit policy in effect through a commercial insurance provider that covers individual claims submitted for medical procedures performed outside of Adams County Memorial Hospital. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities associated with the medical procedures that are provided by the Hospital are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the balance of claim liabilities during the year is as follows:

Balance, beginning of year	\$ <u>0</u>
Current year claims incurred and changes in estimates for claims incurred in prior years	3,612,870
Claims and expenses paid	<u>3,612,870</u>
Balance, end of year	<u><u>\$ 0</u></u>

The Company also maintains a partially self-funded workers' compensation insurance program. Under the insurance policy, the Company's self-funded liability is limited to \$100,000 per incident. In 2014, no individual incident exceeded the liability limit.



**ADAMS COUNTY MEMORIAL HOSPITAL  
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**Note 11 - Contingent Liabilities:**

The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

**Note 12 - Defined Contribution Retirement Plan:**

The Hospital has a defined contribution plan which is administered by the Hospital and the Hospital's Retirement Committee. The defined contribution plan covers all employees who meet the eligibility requirements set forth in the plan. Contributions are made at management's discretion and are allocated based upon each participant's eligible compensation. Eligible employees are not required to contribute to the plan. Amendments to the plan provisions may be changed at the discretion of the Hospitals' Retirement Committee and approval of the Hospital's governing body. The Hospital's contribution amounted to \$779,232 or 3% of the plan's participants eligible compensation for the year ended December 31, 2014.

**Note 13 - Pension Plan:**

**Plan Description**

The Hospital has a single-employer defined benefit pension plan administered by Adams County Memorial Hospital as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the plan administrator. The plan administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Cuni, Rust & Strenk  
4555 Lake Forest Drive, Suite 620  
Cincinnati, OH 45242-5617  
Ph. (513) 891-0270

**Funding Policy**

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the plan administrator. Plan members are not required to contribute to the plan. The Hospital is required to contribute at an actuarially determined rate. The current rate is 0.00% of annual covered payroll as the valuation assets exceed the accrued liability by more than the expense assumptions of \$50,000.

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 13 - Pension Plan (Continued):**

The following is a summary of the Plan as of December 31, 2014 (based on actuarial valuation date of January 1, 2015):

Annual required contribution	\$ 0
Interest on net pension obligation	(143,668)
Adjustment to annual required contribution	<u>219,606</u>
Annual pension cost	75,938
Contributions made	<u>\$ 0</u>
Decrease in net pension obligation	75,938
Net pension obligation, beginning of year	<u>(2,052,395)</u>
Net pension obligation, end of year	<u><u>\$ (1,976,457)</u></u>
Actuarial valuation date	1/1/2015
Actuarial cost method	Unit credit
Amortization method	Level dollar, unfunded actuarial accrued liability re-established each year and amortized over 10 years
Remaining amortization period	10 years
Asset valuation method	Five year smoothed actuarial value

**Actuarial Assumptions**

Investment rate of return	7.0%
Projected salary increases	N/A
Include inflation at	0.0%
Cost-of-living adjustments	None

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 13 - Pension Plan (Continued):**

**Funding Policy (Continued)**

<b>Three-Year Trend Information</b>			
<b>Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/2012	\$ 79,004	94.9%	\$ (2,131,251)
12/31/2013	78,856	34.8%	(2,052,395)
12/31/2014	75,938	0.0%	(1,976,457)

The funded status of the plan as of January 1, 2015, the most recent actuarial valuation date, is as follows:

<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Excess of Assets Over AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>Excess AAL as a Percentage of Covered Payroll ((b-a)/c)</b>
\$ 16,379,161	\$ 11,913,608	\$ 4,465,553	137%	\$ 12,878,664	35%

**Note 14 - Operating Leases:**

The Hospital has leases for facilities and equipment expiring at various times through 2032. Total lease expense for 2014 was approximately \$124,000.

Future minimum commitments under these agreements are as follows at December 31, 2014:

<b>Year Ending December 31,</b>	<b>Facilities</b>	<b>Equipment</b>
2015	\$ 14,400	\$ 115,400
2016	14,400	111,500
2017	14,400	0
2018	14,400	0
2019	14,400	0
Later Years	174,000	0
	<b>\$ 246,000</b>	<b>\$ 226,900</b>

Lease expense for facilities and equipment under the long term care agreements discussed in Note 1 was approximately \$15,804,000 for 2014.

**ADAMS COUNTY MEMORIAL HOSPITAL  
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Notes to Consolidated Financial Statements  
December 31, 2014**

**Note 15 - Management Evaluation of Subsequent Events:**

Subsequent to December 31, 2014, the Hospital entered into nine management, lease and intangible agreements to lease the operations of nine skilled nursing facilities. While the management of the facilities are managed with independent third parties, the operations will be included in the Hospital's 2015 financial statements.

Management has evaluated subsequent events through March 18, 2016, the date on which the consolidated financial statements were available to be issued.

## Independent Auditors' Report on the Supplementary Information

**To the Governing Board of the Hospital  
ADAMS COUNTY MEMORIAL HOSPITAL  
Decatur, Indiana**

Our audit of the consolidated financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Somerset CPAs, PC*

March 18, 2016

**ADAMS COUNTY MEMORIAL HOSPITAL  
A COMPONENT UNIT OF ADAMS COUNTY, INDIANA  
Schedule of Funding Progress  
December 31, 2014**

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets for the Hospital's defined benefit pension plan is increasing or decreasing over time relative to the actuarial accrued liability for benefit.

**Employees' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Excess / (Unfunded) AAL ( a - b )</b>	<b>Funded Ratio ( a / b )</b>	<b>Covered Payroll ( c )</b>	<b>Unfunded AAL as a Percentage of Covered Payroll ( ( a - b ) / c )</b>
1/1/2010	12,017,892	14,457,461	(2,439,569)	83%	19,113,765	-13%
1/1/2011	14,289,473	14,118,411	171,062	101%	18,588,986	1%
1/1/2012	15,298,445	11,820,144	3,478,301	129%	16,413,570	21%
1/1/2013	14,954,377	11,524,731	3,429,646	130%	14,286,609	24%
1/1/2014	15,787,604	11,376,913	4,410,691	139%	13,666,336	32%
1/1/2015	16,379,161	11,913,608	4,465,553	137%	12,878,664	35%

See independent auditors' report on supplementary information.