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October 6, 2016

Board of Directors
Dearborn County Hospital
600 Wilson Creek Road
Lawrenceburg, IN 47025-2751

We have reviewed the audit report prepared by Blue & Company, LLC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Report of Independent Auditors, the financial statements included in the report present fairly the financial condition of the Dearborn County Hospital, as of December 31, 2015 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.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

DEARBORN COUNTY HOSPITAL

FINANCIAL STATEMENTS

WITH

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

CPAS / ADVISORS

blue

DEARBORN COUNTY HOSPITAL

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CPAs / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Dearborn County Hospital
Lawrenceburg, Indiana

We have audited the accompanying financial statements of Dearborn County Hospital (the Hospital), a component unit of Dearborn County, and its discretely presented component unit, Dearborn County Hospital Foundation, Inc. (the Foundation), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Guidelines for Audits of County and City Hospitals by Independent Certified Public Accountants, issued by the Indiana State Board of Accounts. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital and the Foundation as of December 31, 2015, and the respective results of their operations, changes in their net position and their cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2015, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages MDA-i through MDA-vi, and the schedules of the pension plan information on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees
Dearborn County Hospital
Lawrenceburg, Indiana

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 34 and 35 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the 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 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
August 17, 2016

REQUIRED SUPPLEMENTARY INFORMATION

DEARBORN COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2015

This section of Dearborn County Hospital's (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance. This MD&A does include a discussion and analysis of the activities and results of the Hospital's blended component units, Health Services Corporation of Southeastern Indiana (HSC) and Rising Sun Medical Center (RSMC), and results of the discrete component unit, Dearborn County Hospital Foundation, Inc. (the Foundation). Please read it in conjunction with the Hospital's financial statements that follow this MD&A.

Financial Highlights

- The Hospital's total assets and deferred outflows decreased approximately $661,000 or .4% during 2015. Total liabilities decreased approximately $6,755,000 or 10% during 2015.
- The Hospital's net position increased approximately $6,094,000 or 5% in 2015.
- The Hospital reported operating income of approximately $6,612,000 for 2015, representing a decrease of approximately $6,705,000 in comparison to the 2014 results.
- The Hospital added capital assets of approximately $5,109,000 during 2015 while capital assets with a net book value of approximately $140,000 were disposed. Net additions and disposals combined with depreciation expense of approximately $5,939,000 resulted in net capital assets decreasing approximately $970,000 from 2014.
- The Hospital's assets whose use is limited, both current and non-current portions, decreased approximately $123,000 from 2014 as a result of unfavorable investment returns.
- The Hospital has agreements to lease the operations of multiple long-term care facilities. The Hospital recognized approximately $84,771,000 and $131,906,000 of gross patient service revenue related to long-term care during 2015 and 2014, respectively. The decrease is a result of the mid-year termination of several long-term care lease agreements after the long-term care manager sold certain long-term care facilities to another long-term care provider.

Using This Annual Report

The Hospital's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities and the financial position of the Hospital.

The Balance Sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities).

All of the current year revenue earned and expenses incurred are accounted for in the Statement of Revenues, Expenses and Changes in Net Position.

Finally, the purpose of the Statement of Cash Flows is to provide information about the Hospital's cash flows from operating activities, noncapital financing activities, capital and related financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and cash equivalents and the change in cash and cash equivalents balances during the year.

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

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's net position is the difference between assets and deferred outflows and liabilities and deferred inflows. It is one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

<u>Table 1 – Balance Sheets</u>

Total assets and deferred outflows decreased approximately $661,000 during 2015. The significant change in the Hospital's assets was in current assets which decreased approximately $2,202,000 in 2015 compared to 2014 mainly related to a decrease in patient accounts receivable. As of December 31, 2015, the Hospital recognized a pension asset of approximately $1,700,000 and deferred outflows of approximately $1,100,000 related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Current liabilities increased by approximately $574,000 in 2015. The significant changes included a decrease in accounts payable of approximately $10,235,000 due to long-term care activity, an increase in amount due to the pension plan of approximately $9,519,000 and other increases in accrued salaries, wages, and relate liabilities.

Net position increased by approximately $6,094,000 from 2014 to 2015. The increase relates to a favorable operating income.

	2015	Restated 2014	2015-2014 Change
Assets			
Current assets	$ 81,872,399	$ 84,074,554	$ (2,202,155)
Assets whose use is limited	51,114,207	51,336,964	(222,757)
Capital assets, net	44,714,883	45,684,401	(969,518)
Pension asset	1,700,106	-0-	1,700,106
Other assets	305,000	371,723	(66,723)
Total assets	179,706,595	181,467,642	(1,761,047)
Deferred outflows	1,100,222	-0-	1,100,222
Total assets and deferred outflows	$ 180,806,817	$ 181,467,642	$ (660,825)
Liabilities			
Current liabilities	$ 32,697,243	$ 32,122,788	$ 574,455
Pension liability	-0-	6,729,688	(6,729,688)
Long-term debt, net	26,400,000	27,000,000	(600,000)
Total liabilities	59,097,243	65,852,476	(6,755,233)
Net position			
Net investment in capital assets	17,714,883	18,184,000	(469,117)
Restricted	62,660	58,975	3,685
Unrestricted	103,932,031	97,372,191	6,559,840
Total net position	121,709,574	115,615,166	6,094,408
Total liabilities and net position	$ 180,806,817	$ 181,467,642	$ (660,825)

Table 2 – Statements of Revenues, Expenses and Changes in Net Position

The Hospital's performance in 2015 was favorable with a return on equity of 5.0% compared to prior year of 13.5%. The decrease is the result of the aforementioned decrease in the number of long-term care facilities leased by the Hospital in 2015.

Total operating revenue decreased approximately $41,231,000 related to long-term care services. Net patient service revenue accounted for approximately $37,832,000 of the decrease in 2015.

Expenses decreased by approximately $34,526,000 between 2015 and 2014. While salaries, wages and benefits increased approximately $661,000, long-term care services contributed to the majority of the decrease related to total expenses including professional fees and contract services decrease of approximately $25,420,000 and facility and equipment leases decrease of approximately $9,645,000. During 2015, the Hospital recorded Hospital Assessment Fee program expense of approximately $3,221,000 compared to approximately $4,020,000 during 2014.

Nonoperating revenues (expenses) decreased by approximately $2,785,000 due to a decrease in investment income (loss) between years. Contributions were approximately $17,000 in 2015 compared to approximately $28,000 in 2014 related to the Foundation's activity.

	2015	Restated 2014	2015-2014 Change
Operating revenues			
Net patient service revenue	$ 220,070,075	$ 257,902,371	$ (37,832,296)
Other operating revenue	6,846,887	10,245,868	(3,398,981)
Total operating revenues	226,916,962	268,148,239	(41,231,277)
Operating expenses			
Salaries, wages and benefits	59,751,785	59,090,361	661,424
Professional fees and contract services	78,621,971	104,042,470	(25,420,499)
Supplies	24,989,083	27,089,918	(2,100,835)
Depreciation	5,938,848	5,572,885	365,963
Other	51,003,341	59,035,317	(8,031,976)
Total operating expenses	220,305,028	254,830,951	(34,525,923)
Operating income	6,611,934	13,317,288	(6,705,354)
Nonoperating revenues (expenses)	(517,526)	2,267,411	(2,784,937)
Change in net position	6,094,408	15,584,699	(9,490,291)
Net position			
Beginning of year	115,615,166	100,030,467	15,584,699
End of year	$ 121,709,574	$ 115,615,166	$ 6,094,408

Table 3 – Statements of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

Total cash and cash equivalents increased approximately $717,000 in 2015. Operating activities generated cash and cash equivalents of approximately $17,969,000 during 2015 mainly from operating income. Noncapital financing activities increased cash and cash equivalents mainly due to contributions received during 2015. Capital and related financing decreased cash and cash equivalents by approximately $5,929,000 during 2015 mainly as the result of expenditures for property and equipment additions and debt service. Investing activities decreased cash and cash equivalents by approximately $11,339,000 in 2015 as investments were purchased with the proceeds from sales.

The following is a summary of cash flows:

Cash flows data	2015	Restated 2014	2015-2014 Change
From operating activities	$ 17,968,693	$ 12,622,656	$ 5,346,037
From noncapital financing activities	17,075	28,005	(10,930)
From capital and related financing activities	(5,928,988)	(7,061,232)	1,132,244
From investing activities	(11,339,343)	6,246,892	(17,586,235)
Change in cash and cash equivalents	$ 717,437	$ 11,836,321	$ (11,118,884)

Capital Assets and Debt Administration

Capital Assets

During 2015, the Hospital invested approximately $4,198,000 in capital assets net of asset disposals. Please refer to the notes to the financial statements for more detailed information on capital assets.

The change in capital assets is outlined in the following table:

	2015	2014	2015-2014 Change
Land	$ 1,408,112	$ 1,154,243	$ 253,869
Land improvements	2,586,591	2,225,890	360,701
Buildings and improvements	70,027,936	68,726,596	1,301,340
Equipment	52,867,155	50,516,473	2,350,682
Construction in process	1,499,585	1,568,563	(68,978)
	128,389,379	124,191,765	4,197,614
Less accumulated depreciation	83,674,496	78,507,364	5,167,132
Capital assets, net	$ 44,714,883	$ 45,684,401	$ (969,518)

Debt Administration

The Hospital had no significant changes in debt as there were no new borrowings during 2015. Principal payments reduced the overall debt balance by approximately $500,000 during 2015. More detailed information about the Hospital's debt is presented in the notes to the financial statements.

Economic Outlook

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting the Hospital is the increases in labor costs due to the increasing competition for quality health care workers. Uncompensated care is also a significant factor on the Hospital's margin.

Contacting Hospital Management

This financial report is designed to provide our citizens, taxpayers, patients, and other interested parties with a general overview of the Hospital's financial condition. If you have any questions about this report, you may contact the Hospital's Administrative offices at 600 Wilson Creek Road, Lawrenceburg, Indiana 47025.

DEARBORN COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS

	Total Hospital	Foundation	Eliminations	Total Reporting Entity
Current assets				
Cash and cash equivalents	$ 49,740,972	$ 102,362	$ -0-	$ 49,843,334
Patient accounts receivable, less allowance for uncollectible accounts of $3,026,574	23,750,287	-0-	-0-	23,750,287
Inventory	1,807,873	-0-	-0-	1,807,873
Investments	-0-	661,691	-0-	661,691
Current portion of assets whose use is limited	600,000	-0-	-0-	600,000
Other current assets	5,209,214	-0-	-0-	5,209,214
Total current assets	81,108,346	764,053	-0-	81,872,399
Assets whose use is limited				
Internally designated, net of current portion	51,051,547	-0-	-0-	51,051,547
Restricted by donors	-0-	62,660	-0-	62,660
Total assets whose use is limited	51,051,547	62,660	-0-	51,114,207
Capital assets				
Land	1,408,112	-0-	-0-	1,408,112
Depreciable capital assets	125,481,682	-0-	-0-	125,481,682
Construction in progress	1,499,585	-0-	-0-	1,499,585
	128,389,379	-0-	-0-	128,389,379
Less accumulated depreciation	83,674,496	-0-	-0-	83,674,496
Capital assets, net	44,714,883	-0-	-0-	44,714,883
Other assets				
Pension asset	1,700,106	-0-	-0-	1,700,106
Other	305,000	-0-	-0-	305,000
Total other assets	2,005,106	-0-	-0-	2,005,106
Total assets	178,879,882	826,713	-0-	179,706,595
Deferred outflows	1,100,222	-0-	-0-	1,100,222
Total assets and deferred outflows	$ 179,980,104	$ 826,713	$ -0-	$ 180,806,817

See accompanying notes to financial statements.

DEARBORN COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2015

LIABILITIES AND NET POSITION

	Total Hospital	Foundation	Eliminations	Total Reporting Entity
Current liabilities				
Current portion of long-term debt	$ 600,000	$ -0-	$ -0-	$ 600,000
Accounts payable	13,703,983	-0-	-0-	13,703,983
Accrued salaries, wages, and related liabilities	6,216,159	-0-	-0-	6,216,159
Amount due to pension plan	9,518,870	-0-	-0-	9,518,870
Estimated third-party payor settlements	2,658,231	-0-	-0-	2,658,231
Total current liabilities	32,697,243	-0-	-0-	32,697,243
Long-term debt, net of current portion	26,400,000	-0-	-0-	26,400,000
Total liabilities	59,097,243	-0-	-0-	59,097,243
Net position				
Net investment in capital assets	17,714,883	-0-	-0-	17,714,883
Restricted				
Donor restricted - nonexpendable	-0-	37,145	-0-	37,145
Donor restricted - expendable	-0-	25,515	-0-	25,515
Total restricted	-0-	62,660	-0-	62,660
Unrestricted	103,167,978	764,053	-0-	103,932,031
Total net position	120,882,861	826,713	-0-	121,709,574
Total liabilities and net position	$ 179,980,104	$ 826,713	$ -0-	$ 180,806,817

See accompanying notes to financial statements.

DEARBORN COUNTY HOSPITAL

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	Total Hospital	Foundation	Eliminations	Total Reporting Entity
Operating revenues				
Net patient service revenue	$ 220,070,075	$ -0-	$ -0-	$ 220,070,075
Other operating revenue	6,846,887	-0-	-0-	6,846,887
Total operating revenues	226,916,962	-0-	-0-	226,916,962
Operating expenses				
Salaries and wages	48,175,191	-0-	-0-	48,175,191
Employee benefits	11,576,594	-0-	-0-	11,576,594
Professional fees and contract services	78,621,971	-0-	-0-	78,621,971
Supplies	24,989,083	-0-	-0-	24,989,083
Insurance	3,005,543	-0-	-0-	3,005,543
Facility and equipment leases	16,410,592	-0-	-0-	16,410,592
Repairs and maintenance	3,815,240	-0-	-0-	3,815,240
Utilities	4,040,970	-0-	-0-	4,040,970
HAF program	3,220,621	-0-	-0-	3,220,621
Depreciation	5,938,848	-0-	-0-	5,938,848
Other	20,510,375	-0-	-0-	20,510,375
Total operating expenses	220,305,028	-0-	-0-	220,305,028
Operating income	6,611,934	-0-	-0-	6,611,934
Nonoperating revenues (expenses)				
Investment income (loss)	(63,973)	4,619	-0-	(59,354)
Interest expense	(445,888)	-0-	-0-	(445,888)
Contributions	-0-	17,075	-0-	17,075
Loss on disposal of capital assets	(13,369)	-0-	-0-	(13,369)
Other revenues (expenses)	-0-	(15,990)	-0-	(15,990)
Total nonoperating revenues (expenses)	(523,230)	5,704	-0-	(517,526)
Change in net position	6,088,704	5,704	-0-	6,094,408
Net position				
Beginning of year, restated	114,794,157	821,009	-0-	115,615,166
End of year	$ 120,882,861	$ 826,713	$ -0-	$ 121,709,574

See accompanying notes to financial statements.

DEARBORN COUNTY HOSPITAL

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Total Hospital	Foundation	Eliminations	Total Reporting Entity
Operating activities				
Cash received from patients and third-party payors	$ 231,191,177	$ -0-	$ -0-	$ 231,191,177
Cash paid for employees' salaries, wages and benefits	(58,455,936)	-0-	-0-	(58,455,936)
Cash paid to vendors for goods and services	(161,613,435)	-0-	-0-	(161,613,435)
Other operating receipts, net	6,846,887	-0-	-0-	6,846,887
Net cash from operating activities	17,968,693	-0-	-0-	17,968,693
Noncapital financing activities				
Contributions	-0-	17,075	-0-	17,075
Capital and related financing activities				
Acquisition and construction of capital assets	(5,109,247)	-0-	-0-	(5,109,247)
Proceeds from disposal of capital assets	126,548	-0-	-0-	126,548
Interest paid on debt	(445,888)	-0-	-0-	(445,888)
Principal payments on debt	(500,401)	-0-	-0-	(500,401)
Net cash from capital and related financing activities	(5,928,988)	-0-	-0-	(5,928,988)
Investing activities				
Investment income (loss)	(63,973)	4,619	-0-	(59,354)
Other nonoperating revenues (expenses)	-0-	(15,990)	-0-	(15,990)
Purchase of investments	(55,278,771)	(4,087)	-0-	(55,282,858)
Proceeds from sale of investments	44,018,859	-0-	-0-	44,018,859
Net cash from investing activities	(11,323,885)	(15,458)	-0-	(11,339,343)
Net change in cash and cash equivalents	715,820	1,617	-0-	717,437
Cash and cash equivalents				
Beginning of year, restated	51,628,358	100,745	-0-	51,729,103
End of year	$ 52,344,178	$ 102,362	$ -0-	$ 52,446,540
Reconciliation of cash and cash equivalents to the balance sheet				
Cash and cash equivalents				
In current assets	$ 49,740,972	$ 102,362	$ -0-	$ 49,843,334
In assets whose use is limited	2,603,206	-0-	-0-	2,603,206
Total cash and cash equivalents	$ 52,344,178	$ 102,362	$ -0-	$ 52,446,540

See accompanying notes to financial statements.

DEARBORN COUNTY HOSPITAL

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Total Hospital	Foundation	Eliminations	Total Reporting Entity
Reconciliation of operating income				
to net cash from operating activities				
Operating income	$ 6,611,934	$ -0-	$ -0-	$ 6,611,934
Adjustments to reconcile operating income				
to net cash from operating activities				
Depreciation	5,938,848	-0-	-0-	5,938,848
Provision for bad debts	10,424,885	-0-	-0-	10,424,885
Changes in operating assets and liabilities				
Patient accounts receivable	(288,192)	-0-	-0-	(288,192)
Inventory	(411,175)	-0-	-0-	(411,175)
Other current assets	8,433,635	-0-	-0-	8,433,635
Pension asset	(8,429,794)	-0-	-0-	(8,429,794)
Other assets	(1,026,745)	-0-	-0-	(1,026,745)
Deferred outflows	(1,100,222)	-0-	-0-	(1,100,222)
Accounts payable	(12,894,533)	-0-	-0-	(12,894,533)
Accrued salaries, wages, and related liabilities	206,773	-0-	-0-	206,773
Amount due to pension plan	9,518,870	-0-	-0-	9,518,870
Estimated third-party payor settlements	984,409	-0-	-0-	984,409
Net cash flows from operating activities	$ 17,968,693	$ -0-	$ -0-	$ 17,968,693

See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Dearborn County Hospital (the Hospital) is a county facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient, physician and long-term health care services. The Board of County Commissioners of Dearborn County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Dearborn County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The financial statements of Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital and its controlled subsidiaries. They do not purport to, and do not, present the financial position of the County as of December 31, 2015 and the changes in its financial position or its cash flows for the year then ended.

Accounting principles generally accepted in the United States require that these financial statements present the Hospital and its significant component units, collectively referred to as the "primary government." The blended component units, as discussed below, are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. A blended component unit, although a legally separate entity, is in substance part of the primary government's operations and exists solely to provide services for the Hospital.

Blended and Discrete Component Units

The accompanying financial statements include the accounts of the blended component units, Health Services Corporation of Southeastern Indiana (HSC) and Rising Sun Medical Center (RSMC). The Hospital appoints the majority of HSC's and RSMC's boards. In addition, there is a financial benefit/burden relationship between the Hospital and the blended component units. Although HSC and RSMC are legally separate from the Hospital, they are reported as if they were a part of the Hospital because they provide services entirely or almost entirely to 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 financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Dearborn County Hospital Foundation, Inc. (the Foundation) is considered a discrete component unit for reporting purposes.

All significant intercompany transactions have been eliminated in the financial statements.

The Hospital, HSC, RSMC and the Foundation are collectively referred to as "the Hospital" for the remainder of the financial statements notes where appropriate.

Long-Term Care Operations

The Hospital owns the operations of multiple long-term care facilities by way of an arrangement with the managers of those facilities. These facilities provide inpatient and therapy services. Generally, 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 has entered into lease agreements with the long-term care facilities, collectively referred to as the lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the above leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees and incentive management fees. The agreements expire at various times through May 2017. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days' written notice.

During 2015, several lease agreements for long-term care facilities were terminated when the manager of these facilities sold them to another long-term care provider.

Use of Estimates

The preparation of the financial statements includes only the financial position, results of operations, changes in net position and cash flows of the Hospital in conformity with accounting principles generally accepted in the United States of America. The financial statements require 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

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

New Accounting Standards

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future financial statements:

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, issued February 2015, will be effective for periods beginning after June 15, 2015. This Statement will enhance the comparability of financial statements among governmental entities by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a governmental entities financial position.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, issued June 2015, will be effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market mutual funds and investments in highly liquid debt instruments with an original maturity date of three months or less. The Hospital maintains its cash in accounts, which at times, may exceed federally insured limits. As a supplement to federally insured limits, the Hospital's practice is to maintain its cash accounts at Indiana Public Deposit Insurance Fund approved financial institutions. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments, which are held by the Foundation, consist of certificates of deposit which are reported at contract value that approximates fair value.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2013 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2014 through 2015 are reflected in estimated third-party settlements on the balance sheet. During 2015, the Hospital recognized a decrease in change in net position in the statement of revenues, expenses and changes in net position of approximately $256,000 due to differences between original estimates and subsequent revisions for the final settlement of cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital’s customer base.

Inventory

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventory consists of medical supplies and pharmaceuticals.

Other Current Assets

Other current assets consist of prepaid expenses, other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized during 2016.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair market value or contract value for certificates of deposit in the financial statements. These assets include investments designated by the Hospital Board for internal purposes and Foundation investments restricted by donors. These investments consist primarily of cash and cash equivalents, certificates of deposit, fixed income and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized, are included in nonoperating revenues (expenses) in the statement of revenues, expenses and changes in net position. Demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value.

Capital Assets and Depreciation

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at historical cost. Contributed or donated assets are reported at estimated fair value at the time received. Capital assets under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is $2,500 per item, or a group of items with an aggregate cost of at least $5,000. Depreciation is calculated on the straight-line method over the estimated useful lives of capital assets which range from 3-40 years. For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest cost was capitalized during 2015.

Net Position

The net position of the Hospital is classified into three components. (1) Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted nonexpendable net position includes the principal portion of permanent endowments. Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributions external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. (3) Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonoperating revenues include contributions received for purposes other than capital asset acquisition, and other nonoperating activities and are reported as nonoperating revenues or expenses. Operating expenses are generally all expenses incurred to provide health care services, other than financing costs.

Electronic Health Records (EHR) Incentive Payments

The Hospital receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the Hospital must meet "meaningful use" criteria that become more stringent over time. The Hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30th). The related EHR incentive payments are paid out over a four-year transition schedule and are based upon data that is captured in the Hospital's cost reports.

The payment calculation is based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100% in first payment year and thereby decreasing by 25% each payment year until it is completely phased out in the fifth year.

The Hospital recognizes EHR incentive payments as other operating income when there is reasonable assurance that the Hospital will comply with the conditions of the meaningful use objectives and any other specific requirements. In addition, the financial statement effects of the grants must be both recognizable and measurable. During 2015, the Hospital recognized approximately $1,259,000 in EHR incentive payments using the ratable recognition method. Under the ratable recognition method, the Hospital recognizes income ratably over the entire EHR reporting period when it is reasonably assured at the outset of the EHR reporting period that it will comply with the minimum requirements of the program.

EHR incentive income is included in other operating revenue in the statement of revenues, expenses and changes in net position. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur. Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by the programs, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Grants and Contributions

From time to time, the Hospital and Foundation receive 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, if any, restricted to capital acquisitions are reported as nonoperating revenues and expenses.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy on a sliding scale on the basis of financial need. Because the Hospital does not pursue collection of approved charity care balances, the charges are not reflected in net revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net patient service revenue.

Of the Hospital's total expenses reported within the statement of revenues, expenses and changes in net position, an estimated $547,000 arose from providing services to charity patients for 2015. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's expenses including interest expense to gross patient service revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan for Employees of Dearborn County Hospital (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Advertising Costs

The Hospital expenses advertising costs as they are incurred. Advertising expense for 2015 was approximately $243,000.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused vacation is reported as a liability within the accrued salaries, wages, and related liabilities on the balance sheet.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statues. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

HSC, RSMC and the Foundation are tax-exempt organizations under Internal Revenue Code 501(c)(3). As such, they are generally exempt from income taxes. However, they are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and its component units and recognize a tax liability if the Hospital or its component units 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 the Hospital and its component units and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

HSC, RSMC and the Foundation have filed their 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). HSC, RSMC and the Foundation are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

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

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued which is August 17, 2016.

2. RESTATEMENT

Change in Accounting Principles

During 2015, the Hospital implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement establishes the accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to certain pensions. The Statement improves the decision usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension asset/liability and a more comprehensive measure of pension expense.

During 2015, the Hospital implemented GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This Statement amends previous guidance to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The 2014 net position has been retroactively restated to address the implementation of these new standards as detailed below:

	December 31, 2014		
	Originally Reported	Adjustment	Restated
Net position			
Net investment in capital assets	$ 18,184,000	$ -0-	$ 18,184,000
Unrestricted	103,339,845	(6,729,688)	96,610,157
	$ 121,523,845	$ (6,729,688)	$ 114,794,157

The restated balances do not include amounts for deferred inflows or outflows of resources. Additionally, it was not practical to determine the effects of these standards on the 2014 change in net position and 2014 statement of cash flows as it was not cost beneficial to perform a valuation for 2014.

Discretely Presented Component Unit

The current year financial statements include activities of the Foundation. Previously, the Foundation was excluded as it was not significant to the Hospital. As a result, the net position of the Foundation as of December 31, 2014 was restated to $821,009, which included $762,034 of unrestricted and $58,975 of restricted net position. Also, cash and cash equivalents for the Foundation as of December 31, 2014 was restated to $100,745.

3. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include:

Internally designated – Amounts transferred by the Hospital's Board of Trustees through funding depreciation expense. Such amounts are to be used for debt service, equipment and building, remodeling, repairing, replacing or making additions to the Hospital's buildings as authorized by IC 16-22-3-13.

Restricted by donors – Foundation amounts restricted by donors which include expendable and nonexpendable amounts based on donor stipulations.

The composition of assets whose use is limited includes the following as of December 31, 2015:

Internally designated	
Cash and cash equivalents	$ 2,603,206
Mutual funds	49,048,341
Restricted by donors	
Certificates of deposit	62,660
Total assets whose use is limited	51,714,207
Less current portion	600,000
	$ 51,114,207

The current portion of assets whose use is limited reflects the current scheduled principal payments on long-term debt. See the long-term debt note for further information.

4. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments (investments and assets whose use is limited) are carried at fair market value except for money market deposit funds and certificates of deposit which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

As of December 31, 2015, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital.

	Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Hospital					
Mutual funds	$ 49,048,341	$ 49,048,341	$ -0-	$ -0-	$ -0-
Foundation					
Certificates of deposit	$ 724,351	$ 724,351	$ -0-	$ -0-	$ -0-

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 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.

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.

Deposits consist of the following as of December 31, 2015:

Carrying amount	
Deposits	$ 52,446,540
Investments	49,772,692
	$ 102,219,232
Included in the balance sheet captions	
Cash and cash equivalents	$ 49,843,334
Investments	661,691
Assets whose use is limited	
Current	600,000
Non current	51,114,207
	$ 102,219,232

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The Hospital’s policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers during 2015.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2015.

- *Money market mutual funds*: Valued based at the subscription and redemption activity at a $1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of securities.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.

The following tables set forth by level, within the hierarchy, the Hospital's assets and liabilities measured at fair value on a recurring basis as of December 31, 2015.

	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Cash and cash equivalents				
Money market mutual funds	$ 2,599,529	$ -0-	$ 2,599,529	$ -0-
Mutual funds				
Fixed income	26,469,424	26,469,424	-0-	-0-
Small growth	954,363	954,363	-0-	-0-
Mid cap growth	1,380,915	1,380,915	-0-	-0-
Large value	2,416,218	2,416,218	-0-	-0-
Large growth	2,362,554	2,362,554	-0-	-0-
Large blend	8,337,441	8,337,441	-0-	-0-
Real estate funds	2,237,242	2,237,242	-0-	-0-
Foreign large growth	4,890,184	4,890,184	-0-	-0-
Total mutual funds	49,048,341	49,048,341	-0-	-0-
	51,647,870	$ 49,048,341	$ 2,599,529	$ -0-
Cash	3,677			
Certificates of deposit	62,660			
Total assets whose use is limited	$ 51,714,207			

As of December 31, 2015, the cost of investments exceeded market value by approximately $1,156,000. The gains and losses included in earnings for 2015 are attributable to the change in unrealized gains relating to assets held as of December 31, 2015 and are reported in the statement of revenues, expenses and changes in net position as a component of investment income (loss). The unrealized losses approximated $2,850,000 for 2015.

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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

Cash and cash equivalents, accounts payable, accrued salaries, wages, and related liabilities, amount due to pension plan and estimated third-party payor settlements: The carrying amount reported in the balance sheet for cash and cash equivalents, accounts payable, accrued salaries, wages, and related liabilities, amount due to pension plan and estimated third-party payor settlements approximate fair value based on short-term maturity.

Debt: The carrying value of the Hospital's variable rate long-term debt approximates fair value based upon current traded value.

6. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of the following amounts as of December 31, 2015:

Patient accounts receivable	
Receivable from patients and their insurance carriers	$ 22,209,441
Receivable from Medicare	13,597,617
Receivable from Medicaid	9,518,332
Total patient accounts receivable	45,325,390
Less allowance for contractual agreements	18,548,529
Less allowance for uncollectible amounts	3,026,574
Patient accounts receivable, net	$ 23,750,287
Accounts payable and accrued expenses	
Payable to suppliers and others	$ 13,703,983
Payable to employees and related liabilities	6,216,159
Total accounts payable and accrued expenses	$ 19,920,142

7. CAPITAL ASSETS

Capital asset activity for 2015 is as follows:

	Balance December 31, 2014	Additions	Retirements	Transfers	Balance December 31, 2015
Land	$ 1,154,243	$ 253,869	$ -0-	$ -0-	$ 1,408,112
Land improvements	2,225,890	5,100	-0-	355,601	2,586,591
Buildings and improvements	68,726,596	16,885	(221,336)	1,505,791	70,027,936
Equipment	50,516,473	2,059,717	(690,297)	981,262	52,867,155
Construction in process	1,568,563	2,773,676	-0-	(2,842,654)	1,499,585
Total capital assets	124,191,765	5,109,247	(911,633)	-0-	128,389,379
Less accumulated depreciation	78,507,364	5,938,848	(771,716)	-0-	83,674,496
Capital assets, net	$ 45,684,401	$ (829,601)	$ (139,917)	$ -0-	$ 44,714,883

There were no significant outstanding commitments on capital assets as of December 31, 2015.

8. LONG-TERM DEBT

Indiana Finance Authority Hospital Revenue Bonds, Series 2006 original issue for $30,000,000 were issued for various building additions, improvements and renovations. The Series 2006 Bonds have a variable interest rate (0.10% as of December 31, 2015) and mature April 1, 2036. The Series 2006 Bonds are remarketed weekly with the variable interest rate set by the remarketing agent. The Series 2006 Bonds are secured ultimately by the gross revenues of the Hospital.

The Hospital has an available letter of credit for approximately $27,300,000 with a financial institution for the Series 2006 Bonds. The letter of credit fees consists of 1.35% interest per annum. The letter of credit is collateralized by the Hospital’s gross revenues and expires in October 2017. There was no balance outstanding on the letter of credit as of December 31, 2015. The debt agreements require the Hospital to maintain certain financial ratios and restrictive covenants. As of December 31, 2015, the Hospital was in compliance with the financial ratios and restrictive covenants.

The letter of credit is intended to provide credit enhancement and liquidity support for the Hospital’s tax-exempt bonds. In the event the Series 2006 Bonds are not remarketed, the financial institution will advance a liquidity drawing on the letter of credit. The Hospital will reimburse the financial institution for the liquidity drawing at the date of when the 2006 Series Bonds are remarketed, redeemed or purchased, but no later than 367 days after the liquidity drawing.

A progression of the Hospital's debt follows:

	Balance December 31, 2014	Additions	Payments	Balance December 31, 2015	Current portion
Series 2006 Bonds	$ 27,500,000	$ -0-	$ (500,000)	$ 27,000,000	$ 600,000
Capital leases	401	-0-	(401)	-0-	-0-
	$ 27,500,401	$ -0-	$ (500,401)	$ 27,000,000	$ 600,000

Scheduled principal and interest payments on the Series 2006 Bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2016	$ 600,000	$ 391,500	$ 991,500
2017	600,000	382,800	982,800
2018	700,000	374,100	1,074,100
2019	700,000	363,900	1,063,900
2020	800,000	353,800	1,153,800
2021-2025	4,800,000	1,582,000	6,382,000
2026-2030	6,800,000	1,179,000	7,979,000
2031-2035	9,600,000	609,000	10,209,000
2036	2,400,000	35,000	2,435,000
	$ 27,000,000	$ 5,271,100	$ 32,271,100

9. PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization which is under contract with the Hospital to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

Medicaid and the Indiana Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

During 2012, the Indiana Hospital Assessment Fee (HAF) Program was approved by the Centers for Medicare & Medicaid Services (CMS). The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals.

The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2015, the Hospital recognized HAF Program expense of approximately $3,221,000. The HAF Program expense is included in operating expenses in the statements of revenues, expenses and changes in net position. The Medicaid rate increases under the HAF Program are included in patient service revenue in the statement revenues, expenses and changes in net position. The HAF Program was approved for extension through June 30, 2017.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Hospital Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient service revenue of approximately $2,096,000 during 2015. These programs are administered by the State of Indiana, but rely on Federal funding.

Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers 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 patient service revenue for 2015:

Inpatient services	$	114,105,507
Outpatient services		154,878,375
Long-term care services		84,770,711
Gross patient service revenue		353,754,593
Contractual allowances		121,804,912
Charity care		1,454,721
Provision for bad debts		10,424,885
Deductions from revenue		133,684,518
Net patient service revenue	$	220,070,075

10. EMPLOYEE HEALTH AND DENTAL BENEFITS

The Hospital is self-insured for employee health and dental claims. Claim expenditures and liabilities 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. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. An excess policy through commercial insurance covers individual claims in excess of $300,000 with no overall annual aggregate limit. Health and dental insurance expense for 2015 was approximately $5,285,000.

Changes in the balance of claim liabilities are as follows:

Unpaid claims, beginning of year	$	1,400,000
Incurred claims and changes in estimates		5,284,679
Claim payments		(5,509,679)
Unpaid claims, end of year	$	1,175,000

11. MEDICAL MALPRACTICE

The Indiana Medical Malpractice Act (the Act) provides for a maximum recovery of $1,250,000 per occurrence ($7,500,000 annual aggregate) for professional liability, $250,000 of which would be paid through the Hospital's malpractice insurance coverage and the balance would be paid by the State of Indiana Patient Compensation Fund. The Hospital is insured against medical malpractice claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding $250,000 or aggregate claims exceeding $5,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional $5,000,000 of coverage.

12. CONCENTRATIONS OF CREDIT RISK

The Hospital is primarily located in Lawrenceburg, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable and gross patient revenues from self-pay and third party payors as of and for the year ended December 31, 2015 was as follows:

	Receivables	Revenue
Medicare	30%	39%
Medicaid	21%	26%
Blue Cross	11%	12%
Commercial and other payors	23%	15%
Self-pay payors	15%	8%
	100%	100%

13. DEFINED BENEFIT PENSION PLAN

Plan Description

The Hospital has a defined benefit pension plan, Retirement Plan for Employees of Dearborn County Hospital (the Plan) as authorized by IC 16-22-3-11. The Plan provides retirement and death benefits to Plan members and beneficiaries. The Plan was established by written agreement by the Hospital Board of Trustees. Buck Consultants is the actuary of the Plan. Fifth Third Bank is the custodian and third party administrator of the Plan. For more information on the Plan, participants should contact the administrative offices at the Hospital.

The Plan year runs from November 1 through October 31.

Benefits Provided

The Plan principally provides retirement benefits. For those participants who continue to accrue benefits, the following summarizes benefits available.

Participants are fully vested after 10 years of service or attaining normal retirement age. For a participant entering the Plan before November 1, 2015, the normal retirement date is the first day of the month coincident with or following age 65. Normal retirement age for a participant entering the Plan after November 1, 2015 shall mean the later of (i) the participant's age at which the participant first becomes entitled to full or unreduced Old Age Insurance Benefits pursuant to the Social Security Act, as amended, based solely on the participant's year of birth, or (ii) the participant's age on the fifth anniversary of the date the participant first entered the Plan. The early retirement date for vested participants who entered the Plan before November 1, 2015 and terminate employment prior to the Normal Retirement Date can occur once an employee has attained age 55 with 10 years of credited service. Participants entering the Plan after November 1, 2015, who terminate employment prior to Normal Retirement Date, shall be eligible for an early retirement benefit on the first day of the calendar month coincident with or next following the later of: (a) the date which is 10 years prior to the date the participant attains normal retirement age; or (b) the date on which the participant completes 10 years of credited service. The monthly amount of normal retirement benefit payable to a participant on the normal form of retirement benefit shall be equal to the greatest of: 1) the sum of $4.50 multiplied by his years of credited service not in excess of 15 years; plus $6.00 multiplied by his years of credited service in excess of 15 years up to 30 year; or 2) the sum of .675% of his average monthly compensation multiplied by his years of credited service not in excess of 15 years; plus .9% of his average monthly compensation multiplied by his years of credited service in excess of 15 years up to 30 years; plus .65% of his average monthly compensation in excess of his monthly covered compensation multiplied by his years of credited service not in excess of 30 years. For a participant entering the Plan before November 1, 2015, the early retirement benefit is reduced by 1/180 for each year month after age 60 and 1/360 for each month prior to age 60 by which the commencement of the early retirement benefit precedes the participant's normal retirement date. For participants entering the Plan after November 1, 2015, the participant's Early Retirement Benefit shall be the Actuarial Equivalent value of the deferred Vested Accrued Benefit. Disability retirement benefits are not available under the Plan. Death benefits under the Plan vary based on the participant's years of credited service, average annual compensation and other factors as defined under the Plan.

Funding Policy

The contributions of the Hospital to the Plan meet the minimum funding requirements established by the Plan. The entire cost of the Plan is borne by the Hospital. Therefore, active plan members are not required to contribute to the Plan. The Hospital is required to contribute at actuarially determined amounts. The contribution requirement is determined using an accepted actuarial cost method.

As of December 31, 2015, the Hospital recorded a contribution payable to the Plan of approximately $9,519,000. The Hospital paid the Plan this amount in May 2016.

Employees Covered by Benefit Terms

As of October 31, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	223
Inactive plan members entitled to but not yet receiving benefits	212
Active plan members	743
	1,178

Contributions

The contribution requirements of Plan members are established and can be amended by the Hospital Board of Trustees. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital is required to contribute at an actuarially determined rate.

Net Pension Liability

The Hospital's net pension liability was measured as of October 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the October 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	2.8%
Investment rate of return	7.8%

Mortality rates were based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and projected with Mortality Improvement Scale MP-2015.

The actuarial assumptions used in the October 31, 2015 valuation were based on the results of an actuarial experience study performed in November 2014.

The long-term expected rate of return on pension Plan investment is 7.80%.

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation
Money market funds	12.9%
Mutual funds - equity	60.5%
Mutual funds - fixed income	26.6%
Total	100%

Discount Rate

The discount rate used to measure the total pension liability was 7.80% for 2015. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will continue to follow the current funding policy. Based on those assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the Hospital, calculated using the discount rate of 7.80%, as well as what the Hospital's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.80%) or 1-percentage-point higher (8.80%) than the current rate:

	1% Decrease (6.80%)	Current Discount Rate (7.80%)	1% Increase (8.80%)
Hospital's net pension liability	$ 3,735,584	$ (1,700,106)	$ (6,187,865)

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/14	$ (37,010,036)	$ (30,280,348)	$ (6,729,688)
Changes of the year			
Service cost	(732,821)	-0-	(732,821)
Interest	(2,895,679)	-0-	(2,895,679)
Benefit payments, including refunds of member contributions	1,261,223	1,261,223	-0-
Contributions - employer	-0-	(11,156,995)	11,156,995
Net investment income	-0-	(997,337)	997,337
Administrative expense	-0-	96,038	(96,038)
Net change	(2,367,277)	(10,797,071)	8,429,794
Balances at 12/31/15	$ (39,377,313)	$ (41,077,419)	$ 1,700,106

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For 2015, the Hospital recognized pension expense of approximately $1,627,000. As of December 31, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, 1/1/2015	$ -0-	$ -0-
Amortization of actual versus expected	(275,056)	-0-
Investment earnings	1,375,278	-0-
Balance, 12/31/15	$ 1,100,222	$ -0-

Amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31,	
2016	$ 275,056
2017	275,056
2018	275,056
2019	275,054
	$ 1,100,222

14. DEFINED CONTRIBUITON PENSION PLAN

The Hospital maintains a 403(b) retirement savings plan administered by Lincoln Financial Group. This plan provides retirement benefits to plan members and beneficiaries. Reports for the plan are available by contacting the Hospital's administrative offices.

The contribution requirements of members of the plan are established and can be amended by written agreement. Eligible employees are not required to contribute to the plan. The Hospital can elect discretionary contributions to the plan as determined by the Board of Trustees. The Hospital did not elect any discretionary contributions for 2015. Therefore, no expense was recognized in 2015 for this plan.

15. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Hospital has entered into various operating leases expiring through 2020 having initial or remaining noncancelable terms exceeding one year for rental of office space. Rental expenditures for these leases were approximately $414,000 for 2015.

The following is a schedule of annual future minimum rental payments.

Year Ending December 31,	Amount
2016	$ 396,678
2017	244,036
2018	220,511
2019	156,336
2020	138,538
	$ 1,156,099

Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately $14,984,000 for 2015. Annual rent expense through 2017 will approximate $7,057,000 under these leases.

16. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of the blended component units, HSC and RSMC. Below is condensed financial information of HSC and RSMC as of and for the year ended December 31, 2015.

	HSC	RSMC	Total
Balance sheet			
Assets			
Current assets	$ 3,653,682	$ 305,249	$ 3,958,931
Due from Hospital	-0-	49,511	49,511
Capital assets	8,947,310	-0-	8,947,310
Other assets	-0-	30,000	30,000
Total assets	$ 12,600,992	$ 384,760	$ 12,985,752
Liabilities			
Accounts payable and accrued expenses	$ 961,971	$ 384,760	$ 1,346,731
Due to Hospital	11,639,021	-0-	11,639,021
Total liabilities	12,600,992	384,760	12,985,752
Net position			
Net investment in capital assets	8,947,310	-0-	8,947,310
Unrestricted	(8,947,310)	-0-	(8,947,310)
Total net position	-0-	-0-	-0-
Total liabilities and net position	$ 12,600,992	$ 384,760	$ 12,985,752
Statement of revenues, expenses and changes in net position			
Operating revenues (patient and other)	$ 16,718,733	$ 1,020,860	$ 17,739,593
Operating expenses			
Depreciation and amortization	1,215,115	-0-	1,215,115
Other expenses	21,783,914	1,318,409	23,102,323
Total expenses	22,999,029	1,318,409	24,317,438
Operating loss	(6,280,296)	(297,549)	(6,577,845)
Nonoperating revenues, net	11,125	791	11,916
Transfers from Hospital	6,269,171	296,758	6,565,929
Change in net position	$ -0-	$ -0-	$ -0-
Statement of cash flows			
Net cash flows from			
Operating activities	$ (3,347,362)	$ (190,656)	$ (3,538,018)
Capital and related financing activities	3,735,617	296,758	4,032,375
Investing activities	11,125	791	11,916
Total	399,380	106,893	506,273
Cash and cash equivalents			
Beginning of year	68,228	-0-	68,228
End of year	$ 467,608	$ 106,893	$ 574,501

SUPPLEMENTARY INFORMATION

DEARBORN COUNTY HOSPITAL

COMBINING BALANCE SHEET – TOTAL HOSPITAL
DECEMBER 31, 2015

ASSETS	Hospital	HSC	RSMC	Eliminations	Total Hospital
Current assets					
Cash and cash equivalents	$ 49,166,471	$ 467,608	$ 106,893	$ -0-	$ 49,740,972
Patient accounts receivable, net	20,741,593	2,848,365	160,329	-0-	23,750,287
Inventory	1,799,518	8,355	-0-	-0-	1,807,873
Investments	-0-	-0-	-0-	-0-	-0-
Current portion of assets whose use is limited	600,000	-0-	-0-	-0-	600,000
Other current assets	4,841,833	329,354	87,538	(49,511)	5,209,214
Total current assets	77,149,415	3,653,682	354,760	(49,511)	81,108,346
Assets whose use is limited					
Internally designated, net of current portion	51,051,547	-0-	-0-	-0-	51,051,547
Restricted by donors	-0-	-0-	-0-	-0-	-0-
Total assets whose use is limited	51,051,547	-0-	-0-	-0-	51,051,547
Capital assets					
Land	75,208	1,332,904	-0-	-0-	1,408,112
Depreciable capital assets	113,015,453	12,466,229	-0-	-0-	125,481,682
Construction in progress	1,499,585	-0-	-0-	-0-	1,499,585
	114,590,246	13,799,133	-0-	-0-	128,389,379
Less accumulated depreciation	78,822,673	4,851,823	-0-	-0-	83,674,496
Capital assets, net	35,767,573	8,947,310	-0-	-0-	44,714,883
Other assets					
Pension asset	1,700,106	-0-	-0-	-0-	1,700,106
Other	11,914,021	-0-	30,000	(11,639,021)	305,000
Total other assets	13,614,127	-0-	30,000	(11,639,021)	2,005,106
Total assets	177,582,662	12,600,992	384,760	(11,688,532)	178,879,882
Deferred outflows	1,100,222	-0-	0	-0-	1,100,222
Total assets and deferred outflows	$ 178,682,884	$ 12,600,992	$ 384,760	$ (11,688,532)	$ 179,980,104
LIABILITIES AND NET POSITION					
Current liabilities					
Current portion of long-term debt	$ 600,000	$ -0-	$ -0-	$ -0-	$ 600,000
Accounts payable	13,325,015	11,687,634	379,866	(11,688,532)	13,703,983
Accrued salaries, wages, and related liabilities	5,297,907	913,358	4,894	-0-	6,216,159
Amount due to pension plan	9,518,870	-0-	-0-	-0-	9,518,870
Estimated third-party payor settlements	2,658,231	-0-	-0-	-0-	2,658,231
Total current liabilities	31,400,023	12,600,992	384,760	(11,688,532)	32,697,243
Long-term debt, net of current portion	26,400,000	-0-	-0-	-0-	26,400,000
Total liabilities	57,800,023	12,600,992	384,760	(11,688,532)	59,097,243
Net position					
Net investment in capital assets	8,767,573	8,947,310	-0-	-0-	17,714,883
Restricted					
Donor restricted - nonexpendable	-0-	-0-	-0-	-0-	-0-
Donor restricted - expendable	-0-	-0-	-0-	-0-	-0-
Total restricted	-0-	-0-	-0-	-0-	-0-
Unrestricted	112,115,288	(8,947,310)	-0-	-0-	103,167,978
Total net position	120,882,861	-0-	-0-	-0-	120,882,861
Total liabilities and net position	$ 178,682,884	$ 12,600,992	$ 384,760	$ (11,688,532)	$ 179,980,104

See report of independent auditors on pages 1 through 3.

DEARBORN COUNTY HOSPITAL

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – TOTAL HOSPITAL YEAR ENDED DECEMBER 31, 2015

	Hospital	HSC	RSMC	Eliminations	Total Hospital
Operating revenues					
Net patient service revenue	$ 203,066,888	$ 16,204,345	$ 798,842	$ -0-	$ 220,070,075
Other operating revenue	6,110,481	514,388	222,018	-0-	6,846,887
Total operating revenues	209,177,369	16,718,733	1,020,860	-0-	226,916,962
Operating expenses					
Salaries and wages	33,338,632	14,836,559	-0-	-0-	48,175,191
Employee benefits	8,972,017	2,604,577	-0-	-0-	11,576,594
Professional fees and contract services	76,950,230	622,844	1,048,897	-0-	78,621,971
Supplies	23,366,098	1,548,017	74,968	-0-	24,989,083
Insurance	2,614,693	379,639	11,211	-0-	3,005,543
Facility and equipment leases	15,398,040	904,552	108,000	-0-	16,410,592
Repairs and maintenance	3,578,998	215,662	20,580	-0-	3,815,240
Utilities	3,717,300	311,382	12,288	-0-	4,040,970
HAF Program	3,220,621	-0-	-0-	-0-	3,220,621
Depreciation	4,723,733	1,215,115	-0-	-0-	5,938,848
Other	20,107,228	360,682	42,465	-0-	20,510,375
Total operating expenses	195,987,590	22,999,029	1,318,409	-0-	220,305,028
Operating income (loss)	13,189,779	(6,280,296)	(297,549)	-0-	6,611,934
Nonoperating revenues (expenses)					
Investment income (loss)	(75,889)	11,125	791	-0-	(63,973)
Interest expense	(445,888)	-0-	-0-	-0-	(445,888)
Contributions	-0-	-0-	-0-	-0-	-0-
Loss on disposal of capital assets	(13,369)	-0-	-0-	-0-	(13,369)
Other revenues (expenses)	-0-	-0-	-0-	-0-	-0-
Total nonoperating revenues (expenses)	(535,146)	11,125	791	-0-	(523,230)
Transfers	(6,565,929)	6,269,171	296,758	-0-	-0-
Change in net position	6,088,704	-0-	-0-	-0-	6,088,704
Net position					
Beginning of year	114,794,157	-0-	-0-	-0-	114,794,157
End of year	$ 120,882,861	$ -0-	$ -0-	$ -0-	$ 120,882,861

REQUIRED SUPPLEMENTARY INFORMATION

DEARBORN COUNTY HOSPITAL

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2015

Total pension liability	
Service cost	$ 732,821
Interest	2,895,679
Benefit payments	(1,261,223)
Net change in pension liability	2,367,277
Total pension liability - beginning	37,010,036
Total pension liability - ending (a)	$ 39,377,313
Plan fiduciary net position	
Benefit payments	$ (1,261,223)
Net investment income	997,337
Administrative expenses	(96,038)
Employer contributions	11,156,995
Net change in plan fiduciary net position	10,797,071
Plan fiduciary net position - beginning	30,280,348
Plan fiduciary net position - ending (b)	$ 41,077,419
Net pension liability (a) - (b)	$ (1,700,106)
Plan fiduciary net position as a % of total pension liability	104.32%
Covered employee payroll	$ 42,464,944
Net pension liability as a % of covered employee payroll	-4.00%

* The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Hospital will present information for those years for which information is available.

DEARBORN COUNTY HOSPITAL

SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2015

Plan Year End	Actuarially Determined Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as % of Covered Employee Payroll
10/31/2015	$ 1,638,125	$ 11,156,995	$ (9,518,870)	$ 42,464,944	26.27%
10/31/2014	$ 1,877,275	$ 1,877,275	$ -0-	$ 42,097,830	4.46%
10/31/2013	$ 1,706,913	$ 1,706,913	$ -0-	$ 42,029,955	4.06%
10/31/2012	$ 1,508,887	$ 1,508,887	$ -0-	$ 36,153,924	4.17%
10/31/2011	$ 1,511,254	$ 1,511,254	$ -0-	$ 36,220,786	4.17%
10/31/2010	$ 1,402,407	$ 1,402,407	$ -0-	$ 37,813,590	3.71%
10/31/2009	$ 1,241,227	$ 1,241,227	$ -0-	$ 37,812,790	3.28%
10/31/2008	$ 989,643	$ 989,643	$ -0-	$ 30,375,188	3.26%
10/31/2007	$ 1,049,410	$ 1,049,410	$ -0-	$ 28,739,322	3.65%
10/31/2006	$ 1,706,913	$ 1,706,913	$ -0-	$ 27,391,149	6.23%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of November 1.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	20 year level dollar
Remaining amortization period	20 year period
Asset valuation method	Market value
Salary increases	Ranging from 2.8% to 4.5%
Investment rate of return	7.80%
Retirement age	For a participant entering the Plan before 11/1/15 65 and 5 years of participation For a participant entering the Plan after 11/1/15 the later of (i) the participant's age at which the participant first becomes entitled to full or unreduced Old Age Insurance Benefits pursuant the Social Security Act, as amended, based solely on the participant's year of birth, or (ii) the participant's age on the fifth anniversary of the date the participant first entered the Plan
Mortality	RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and projected with Mortality Improvement Scale MP-2015