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February 24, 2011

Board of Directors
Columbus Regional Hospital
2400 East 17th Street
Columbus, Indiana 47201

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Columbus Regional Hospital, as of December 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Accountants' Report and Financial Statements

December 31, 2009 and 2008

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
December 31, 2009 and 2008

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited the accompanying balance sheets of Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2010, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension plan information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

May 13, 2010

Introduction

Columbus Regional Hospital (the Hospital or CRH) is a leading, not-for-profit provider of quality health care services in Columbus, Indiana, serving a ten county region in southeastern Indiana. CRH's commitment to serving the community and being at the forefront of quality patient care is nationally recognized, as noted as the winner of the American Hospital Association's Quest for Quality Prize in 2007, the highest quality honor awarded by the hospital industry; and is a Thomson Reuters 100 Top Hospitals, Modern Healthcare's 100 Best Places to Work in Healthcare and Indiana's first Magnet designated hospital for outstanding nursing care.

CRH has one of the highest home county market shares in the state, and the Hospital's ten-county market share is the largest of any hospital serving the region that is situated between Indianapolis, Louisville and Cincinnati. CRH is a county-owned hospital licensed for 325 beds and operating 210 beds. CRH has provided services to the following number of patients over the past three years:

Year	Inpatients	Outpatients	Total
2009	9,674	235,151	244,825
2008	6,282	197,464	203,746
2007	9,318	218,595	227,913

CRH uses the balanced scorecard methodology to measure its performance in five key pillar areas: people; service; quality and safety; growth and innovation; and financial performance. All are important measures, as CRH must balance the various indicators to ensure high quality patient care as it works towards its mission, *"To improve the health and well being of the people we serve."*

Nationally Recognized Care

CRH is recognized nationally as a top performing hospital and a benchmark for others in the healthcare industry. CRH is a Thomson Reuters 100 Top Hospitals Award list for exceptional organizational performance. Thomson Reuters conducts an annual study of 3,000 short-term, acute care, non-federal hospitals to identify the top hospitals based on their performance in nine areas: mortality, medical complications; patient safety; average length of stay; expenses; profitability; cash-to-debt ratio; patient satisfaction; and adherence to clinical standards of care.

The American Nurses Association (ANA) recognized CRH in early 2010 with the Outstanding Nursing Quality Award, one of only six hospitals nationwide recognized, which included Johns Hopkins Hospital and Poudre Valley Hospital among the recipients. CRH was recognized for high quality nursing care and outstanding patient outcomes. The award-winning hospitals are among more than 1,500 hospitals that participate in ANA's National Database of Nursing Quality Indicators (NDNQI), the nation's most comprehensive database of nursing-care outcomes measures.

CRH was honored to be the winner of the Quest for Quality Prize from the American Hospital Association in 2007, the highest quality honor awarded annually by the hospital industry. This national award is recognition that the Hospital's vision ***"to be the best in the country at everything we do"*** is evident by employees, physicians and volunteers to provide the very best for patients. The Quest for Quality Prize honors the demonstration of leadership and innovation in quality, safety and commitment to patient care.

Renewing Excellence in Challenging Times

Columbus Regional Hospital reopened in October 2008 after a five-month closure due to the impact of a damaging flood. On June 7, 2008, CRH was damaged by record flooding and storms that impacted many areas across Columbus, Indiana when the nearby Haw Creek flooded 12 inches above the 500-year flood level. The Hospital safely evacuated 157 patients within three hours. The basement was completely flooded up to 12 feet, and flood waters reached the first floor of the Hospital building with 6 - 8 inches of water. Flooding destroyed the Hospital's basement containing vital information services and operational capabilities including laboratory, pharmacy, electrical/mechanical systems and sterilizing processing, with damage totaling $171 million.

The Hospital's commitment to its patients, employees and physicians is so ingrained in its culture that when record flooding forced the Hospital to close, CRH remained steadfast in its commitment to expand access and availability of healthcare services. Motivated by their collective pursuit to set the highest standard for excellence and commitment to one another and their community, CRH employees at every level worked tirelessly for five months to restore and reopen the Hospital while continuing to provide emergency services and outpatient care at interim locations throughout the community. CRH represented caring, strength and inspiration in the face of devastation and helped a community rebuild.

The next challenge faced CRH just as it reopened its doors from the flood to then navigate through the impact of the national recession. CRH's region has a large manufacturing presence which faced a heavy toll from the recession. While patient volumes returned to strong levels when CRH reopened in late 2008, there were fewer managed care patients and more Medicare and Medicaid patients than in previous years.

Business Strategy - Balanced Scorecard Approach

Best People

CRH recognizes the strategic importance of having a committed and satisfied workforce, and works to recruit and retain high performing staff. CRH's efforts have been recognized as being named one of the Best Places to Work in Indiana for five straight years (2006, 2007, 2008, 2009 and 2010). CRH was named to the national Modern Healthcare's 100 Best Places to Work in Healthcare in 2009, rating in the top half on the list. In addition, the Hospital scored in the top 1% of over 300 hospitals surveyed for employee satisfaction as a recognized national best practice, a remarkable feat given the challenges it faced with reopening from the flood. Employee retention rates at CRH are better than industry average, as are registered nurse retention rates.

Service Excellence

Service excellence is a key area as the Hospital works for high patient satisfaction, as well as strong employee and physician satisfaction. CRH partners with Press Ganey, who works with over 6,000 healthcare organizations across the country, to measure patient satisfaction. Satisfaction levels are above the 90th percentile in the country for many patient services. This attention to service excellence is the right thing to do for patients, as well as from a business objective so that patients continue to prefer CRH for their healthcare needs.

Quality and Safety Performance

Columbus Regional Hospital ranks near the top 10% in the country for clinical quality based on the national CMS (Centers for Medicare and Medicaid Services) quality measures that all hospitals are required to report. CRH received full re-accreditation from the Healthcare Facilities Accreditation Program (HFAP) in 2009. This accreditation came after the Hospital reopened after having been closed for five months due to flood damage. The HFAP surveyors noted that the pursuit of excellence and the culture of quality and service are pervasive throughout CRH. CRH has received other recognition for its quality, among the most recent:

- Patient Safety Excellence Award by HealthGrades in 2010, among the top 15% of the hospitals nationwide noted for excellent quality and patient safety outcomes.
- Magnet nursing designation by the American Nurses Credentialing Centers, a national recognition of nursing environment and delivery of high quality care. CRH was the first hospital in Indiana to receive the accreditation (2003) and the first in the state to achieve re-accreditation (2008).
- VHA Leadership Award for Clinical Excellence in 2008 for critical care and heart care.
- American Nurses Association’s Outstanding Nursing Quality Award, one of only six hospitals nationwide recognized for high quality nursing care and outstanding patient outcomes.
- Designated a JCAHO Primary Stroke Center, one of the first in Indiana to receive the designation (2004) and also receive re-designation in 2007 and 2009.
- Nationally accredited Chest Pain Center from the Chest Pain Society, and one of only seven hospitals in Indiana to have the higher Percutaneous Coronary Interventions (PCI) designation level.

Patient safety has always been the Hospital’s top priority, and CRH researches the best practices in medicine to deliver evidence-based safe care. CRH is recognized as a mentor hospital for its best practices in clinical quality by the Institute for Healthcare Improvement, a national leader in healthcare quality and safety. CRH is an early adopter in the hospital industry to apply Lean and Six Sigma performance improvement methodology to a healthcare environment. This has resulted in improved processes and greater efficiencies in many areas including emergency care, medication dispensing and surgical services.

Focus on Growth and Innovation

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

- **All New Radiology Diagnostic Technology -** CRH invested in all new radiology diagnostic technology to replace equipment damaged in the June 2008 flood. This all new suite of technology provides faster scan times and higher quality images and includes: 64-slice CT scan, new MRI, 16-slice CT scan, Digital X-Ray and PET Scan.

- **Interventional Cardiology Technology -** CRH opened an all-new cardiac catheterization laboratory suite in 2009 featuring new cardiac and vascular catheterization equipment.

- **Lung Institute -** CRH opened its Lung Center in 2007, which is one of only a few centers nationwide to offer an innovative approach to lung disease by providing the latest diagnostic testing, treatment and disease management in one location for pulmonary care patients. CRH was one of the first hospitals in the country to use the new superDimension inReach System to diagnose lung cancer at earlier stages and begin treatment options sooner.

- **Digital Mammography -** specially designed digital detectors produce an image that can be displayed on a high-resolution computer monitor to help detect small calcifications and masses that may be signs of early breast cancer. Currently, less than 10% of mammography centers have digital technology.

Focus on Finance

The Hospital's finance focus for 2009 was flood recovery for the statement of revenues, expenses and changes in net assets and balance sheet. As of December 31, 2009, CRH has received or has been awarded grants totaling $137 million. CRH flood and storm financial losses in 2008 totaled $171 million. The remaining gap of $34 million funded out of CRH cash reserves lowered our days cash on hand, making Hospital operations financially challenging for most of 2009. Although 2009 was a tough year financially, by the end of the year, days cash on hand had increased 158 days allowing for the basement flood restoration work to get started in the last quarter. CRH continues to work closely with state and federal representatives and other potential funding sources to reduce this remaining gap.

The accompanying financial statements present certain information with respect to the Hospital's financial position, results of operations and cash flows, which should be read in conjunction with the following discussion and analysis. Selected financial and statistical data, as of and for the years ended December 31, are shown below.

Selected Financial Data and Statistics
(Dollars in Thousands)

	2009		2008		2007	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Summary of Operations						
Revenues	$ 196,781	100.0%	$ 145,007	100.0%	$ 191,686	100.0%
Salaries and benefits	98,940	50.3%	95,105	65.6%	90,770	47.4%
Supplies and drugs	34,895	17.7%	24,987	17.2%	33,469	17.5%
Purchased services and other operating expenses	35,975	18.3%	32,832	22.6%	33,130	17.3%
Depreciation and amortization	16,103	8.2%	15,037	10.4%	16,984	8.9%
Total expenses	185,913	94.5%	167,961	115.8%	174,353	91.0%
Income (loss) from operations	10,868	5.5%	(22,954)	-15.8%	17,333	9.0%
Nonoperating income (expense), net	18,013	9.2%	(11,523)	-7.9%	2,192	1.1%
Capital grants	44,309	22.5%	33,331	23.0%	-	0.0%
Extraordinary items	(520)	-0.3%	(32,698)	-22.5%	-	0.0%
Increase (decrease) in net assets	$ 72,670	36.9%	$ (33,844)	-23.3%	$ 19,525	10.2%
Cash Flow Data						
Cash provided by operating activities	$ 12,322		$ 13,867		$ 32,836	
Cash provided by noncapital activiites	10,086		1,672		-	
Cash provided by (used in) financing activities	10,459		(57,237)		(26,787)	
Cash provided by (used in) investing activities	(10,759)		29,404		(4,786)	
Financial Position						
Current assets	$ 69,340		$ 76,453		$ 58,456	
Capital assets, net	129,394		119,219		84,662	
Other noncurrent assets	102,197		71,891		121,980	
Total assets	$ 300,931		$ 267,563		$ 265,098	
Long-term debt, including current portion	$ 62,792		$ 69,961		$ 73,544	
Other liabilities	25,786		57,920		18,027	
Total liabilities	$ 88,578		$ 127,881		$ 91,571	
Unrestricted net assets	$ 143,817		$ 88,325		$ 161,390	
Net assets invested in capital assets	66,602		49,258		11,118	
Restricted net assets	1,934		2,099		1,019	
Total net assets	$ 212,353		$ 139,682		$ 173,527	
Days cash on hand	226.5		68.3		275.9	
Operating Data						
Number of beds (available for use)	210		202		231	
Inpatient discharges	9,674		6,282		9,318	
Average daily census	107		114		109	
Average length of stay	4.0		4.1		4.3	
Occupancy	50%		50%		49%	
Inpatient case mix	1.3308		1.2773		1.2985	
Outpatient visits	235,151		197,464		218,595	

Results of Operations

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

CRH receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Gross revenues from the Medicare and Medicaid programs increased 5% in 2009 compared to only slight increases of 1% for 2008 and 2007. Governmental reimbursement policies continue to limit or reduce the levels of payments from these programs.

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

	2009	2008	2007
Medicare	48.4%	46.7%	45.5%
Medicaid	10.2%	9.3%	9.9%
Managed care plans	33.5%	35.6%	37.0%
Other	7.9%	8.4%	7.6%

Revenues for the year ended December 31, 2009 increased 35.7% to $196.8 million from $145.0 million in 2008 and when compared to 2007, revenues were up 2.7%. Revenues for 2009 were impacted negatively by the 5% increase in Medicare and Medicaid gross charges but impacted positively by increases in patient volumes that resulted from the Hospital being open for a full year compared to the flood year when the Hospital was closed from June 7, 2008 to October 26, 2008. Inpatient discharges for 2009 were up 54% from the number of inpatient discharges for 2008 and up 3.8% over inpatient discharges for 2007. Outpatient volumes also contributed to the increase in revenue for 2009, but to a lesser degree as outpatient services were reopened after the flood in other than the main hospital building locations. Outpatient volumes for 2009 were up 19.1% over outpatient volumes for 2008 and up 7.6% over the number of outpatients from 2007. Before and after the flood, CRH continued to focus resources on emergency services as in prior years. The Emergency Department (ED) which was damaged in the flood, was the first service that opened back in the main hospital building. Visits to the Hospital's Emergency Department for 2009 totaled 40,599, up 20.8% from 33,622 in 2008 and up 5.7% from 38,397 in 2007.

Operating expenses increased 10.7% in 2009. The increase in operating expenses is primarily attributable to an increase in supply costs due to the Hospital being open for a full year after the flood year. Although salaries and benefits increased 4.0% in 2009, the number of full time equivalents decreased 39 for a 2.7% decrease. Operating expenses for 2008 and 2007 (de)increased (3.7)% and 4.2%, respectively, over the prior year. The Hospital continued its efforts at controlling costs and improving efficiencies throughout all departments using Lean Sigma and other process improvement tools.

Income from operations for 2009 totaled $10.9 million up from a loss of $(23.0) million for 2008 and compared to income of $17.3 million for 2007. Nonoperating income for 2009 totaled $18.0 million, which included investment gains and interest expense net of non capital grant revenues. Nonoperating income (loss) for 2008 and 2007 consisting mostly of investment income (losses) totaled $(11.5) million and $2.2 million, respectively. Increase in net assets for 2009 totaled $72.7 million compared to (de)increases in net assets that totaled $(33.8) million for 2008 and $19.5 million in 2007.

Financial Position

Cash provided by operating activities in 2009 totaled $12 million. This compares to cash provided by operating activities of $14 million in 2008 and $33 million in 2007. The decreased amount of cash provided from operating activities in 2009 continued to be related to the business interruption and flood damage from 2008 but without the State Medicaid Disproportionate Share payments received in September 2009, cash provided operations would have totaled approximately $5 million. Most of the capital expenditures for 2009, which totaled $27 million, were for building and equipment flood restoration and replacement. During the next couple of years, the Hospital will continue flood restoration including some flood hazard mitigation as required by FEMA at an estimated cost of $15 million. At the end of the year, the Hospital's construction in progress totaled $8 million consisting of amounts expended for the Patient Tower ED Expansion project and the basement flood renovation project. Capital expenditures for 2008 totaled $63 million with construction in progress of $14 million at the end of the year. Capital expenditures for 2007 totaled $20 million and construction in progress at the end of the year totaled $2.5 million.

Total current assets decreased to $69.3 million for 2009 compared to $76.5 million in 2008 and compared to $55.1 million in 2007. The decrease resulted from a reduction of $20.6 million in disaster grant funds receivable as the grant funds were received in 2009. Other noncurrent assets increased to $102.2 million for 2009 compared to $71.9 million for 2008 and $125.3 million for 2007. The increase can be attributed to internally designated funds as investment market values recovered and the Hospital reinvested funds withdrawn for flood related expenditures. A summary of other noncurrent assets is presented in the table below:

Noncurrent Assets (dollars in millions)	2009	2008	2007
Internally designated funds (net of current portion)	$ 90.2	$ 58.5	$ 112.1
Funds held under a bond indenture agreement by trustee (net of current portion)	0.1	0.1	0.1
Other assets	11.9	13.3	13.1
Total noncurrent assets	$ 102.2	$ 71.9	$ 125.3

The Hospital had $62.8 million in long-term debt at December 31, 2009 compared to $70.0 million for 2008 and $73.5 million for 2007. The Hospital issued Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B totaling $43 million refunding the failed Auction Rate Securities Bonds, Series 2003. In addition, the Hospital also paid off in 2009, the $3.0 million short-term debt outstanding at December 31, 2008 as well as amounts drawn on the short-term $29 million line of credit secured in early 2009. At December 31, 2009, the Hospital had no short-term debt outstanding. The additional short-term debt needed in 2008 and 2009 helped fund operating activities, flood recovery and capital acquisitions while waiting for government disaster grant monies to be paid.

Economic Outlook

The flood of 2008 will impact the Hospital for many years into the future. The Hospital reopened on October 27, 2008, but recovery from the flood continued in 2009 and will continue into future years. The challenges of competition and national trends such as the weakened economy will continue to lower the Hospital's patient volumes, change the mix of patients seeking care and/or increase uncompensated care. The goal of the Healthcare Reform legislation passed in March 2010 by Federal lawmakers is to increase the healthcare "value" by improving quality of care and reducing costs. As a result of the legislation, the Hospital should benefit from reduced charity and bad debt write-offs as the number of uninsured decrease, however, the Hospital will experience deep payment cuts from the Medicare and Medicaid programs. The next few years may be the toughest environment in decades. There will be increased pressure for the Hospital to operate more efficiently, force spending cuts and to cultivate a culture of innovation and change.

Hospital leaders realize that CRH plays a vital role in communities of Bartholomew and surrounding counties not only because of the health care provided but also for the economic contributions. In order to improve healthcare for the communities served today and as well for tomorrow, hospital leaders use a strategic plan to focus on the most critical areas. The strategic plan which is organized by pillars guides hospital leaders to set goals in the areas of people, service, quality and safety, growth and innovation and financial performance positioning the Hospital for the future whatever that may be.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Administration by telephoning (812) 376-5205.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Balance Sheets
December 31, 2009 and 2008

Assets

	2009	2008
Current Assets		
Cash and cash equivalents	$ 24,408,001	$ 2,291,746
Patient accounts receivable, less allowance for uncollectible accounts ($4,838,286 in 2009 and $5,945,086 in 2008)	24,362,603	22,422,056
Grants receivable	11,130,770	43,736,923
Other receivables	1,163,464	1,295,637
Inventories	2,777,479	2,446,793
Prepaid expenses	3,746,808	2,512,850
Restricted current assets limited as to use	1,750,413	1,746,661
Total current assets	69,339,538	76,452,666
Noncurrent Cash and Investments		
Internally designated	90,175,597	58,510,603
Trustee-held funds, less current	73,296	85,222
Total noncurrent cash and investments	90,248,893	58,595,825
Capital Assets		
Plant and equipment	265,975,808	238,922,963
Less accumulated depreciation	146,033,496	135,410,635
	119,942,312	103,512,328
Land	1,715,612	1,715,612
Construction in progress	7,735,635	13,990,902
Capital assets, net	129,393,559	119,218,842
Other Assets		
Notes receivable, related party	6,433,826	6,111,388
Joint venture investments and other notes receivable	4,307,085	4,861,124
Unamortized bond issuance costs	1,207,781	2,323,359
Total assets	$ 300,930,682	$ 267,563,204

Liabilities and Net Assets

	2009	2008
Current Liabilities		
Accounts payable	$ 8,101,351	$ 36,645,747
Salaries, wages and related liabilities	9,550,850	9,241,240
Accrued interest payable	704,219	649,624
Estimated third-party payer settlements	2,599,591	1,032,939
Line of credit	-	3,000,000
Other accrued liabilities	2,503,947	2,713,019
Current portion of long-term debt	3,740,000	6,010,000
Total current liabilities	27,199,958	59,292,569
Fair Value of Interest Rate Swap Agreements	1,368,685	3,608,395
Long-Term Liabilities	59,051,552	63,951,320
Accrued Pension Cost	957,884	1,028,909
Total liabilities	88,578,079	127,881,193
Net Assets		
Unrestricted	143,816,595	88,325,571
Invested in capital assets, net of related debt	66,602,007	49,257,522
Restricted - expendable	1,934,001	2,098,918
Total net assets	212,352,603	139,682,011
Total liabilities and net assets	$ 300,930,682	$ 267,563,204

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	2009	2008
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of $9,790,586 in 2009 and $6,022,495 in 2008	$ 193,854,159	$ 138,452,167
Other operating revenue	2,926,457	6,554,792
Total operating revenue	196,780,616	145,006,959
Operating Expenses		
Salaries and wages	73,273,887	72,624,990
Employee benefits	25,666,137	22,479,680
Fees	10,323,087	7,925,593
Supplies	34,894,805	24,986,968
Purchased services	23,474,588	23,049,666
Depreciation and amortization	16,103,026	15,037,232
Insurance	1,647,573	1,166,406
Other	529,417	690,218
Total operating expenses	185,912,520	167,960,753
Operating Income (Loss)	10,868,096	(22,953,794)
Nonoperating Income (Expenses)		
Investment return	23,631,327	(27,168,925)
Interest expense	(2,929,134)	(3,826,630)
Contributions to related organizations	(3,072,114)	(146,534)
Grant revenue	3,378,371	11,995,815
Insurance proceeds	-	10,500,000
Other nonoperating expense	(2,995,067)	(2,876,775)
Total nonoperating income (expense)	18,013,383	(11,523,049)
Excess of Revenues Over (Under) Expenses Before Extraordinary Item and Capital Grants	28,881,479	(34,476,843)
Capital Grants	44,308,656	33,330,122
Extraordinary Item - flood losses	(519,543)	(32,697,841)
Increase (Decrease) in Net Assets	72,670,592	(33,844,562)
Net Assets, Beginning of Year	139,682,011	173,526,573
Net Assets, End of Year	$ 212,352,603	$ 139,682,011

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Operating Activities		
Cash received from patients and third-party payers	$ 193,480,264	$ 148,176,006
Cash payments to employees for services	(98,910,511)	(93,725,582)
Cash payments to suppliers for goods and services	(85,112,171)	(47,141,759)
Other cash received	2,864,297	6,558,371
Net cash provided by operating activities	12,321,879	13,867,036
Noncapital Financing Activities		
Contributions to related parties	(3,072,114)	(146,534)
Noncapital grants and gifts	15,374,186	-
Insurance proceeds	-	25,170,664
Flood remediation and other cash losses	-	(21,791,519)
Other nonoperating	(2,216,379)	(1,560,565)
Net cash provided by noncapital financing activities	10,085,693	1,672,046
Capital and Related Financing Activities		
Principal paid on long-term debt	(48,260,000)	(3,350,000)
Proceeds from issuance of long-term debt	43,095,000	-
Interest paid on long-term debt	(3,105,659)	(4,179,726)
Acquisition and construction of capital assets	(43,189,208)	(55,063,722)
Proceeds from sales of capital assets	-	767,860
Net borrowings (payments) under line of credit agreement	(3,000,000)	3,000,000
Capital grants and contributions received	64,918,994	1,589,014
Net cash provided by (used in) capital and related financing activities	10,459,127	(57,236,574)
Investing Activities		
Investment income	3,635,216	2,781,740
Purchase of investments in assets limited as to use	(19,325,462)	-
Disbursements for loans receivable	(1,550,098)	(854,110)
Repayments of loans receivable	1,976,032	409,791
Sale of investments in assets limited as to use	4,505,694	27,066,862
Net cash provided by (used in) investing activities	(10,758,618)	29,404,283
Net Increase (Decrease) in Cash and Cash Equivalents	22,108,081	(12,293,209)
Cash and Cash Equivalents at Beginning of Year	4,123,629	16,416,838
Cash and Cash Equivalents at End of Year	$ 26,231,710	$ 4,123,629

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 24,408,001	$ 2,291,746
Cash and cash equivalents in assets limited as to use and noncurrent cash		
Held by trustee under bond indenture	1,823,709	1,831,883
Total cash and cash equivalents	$ 26,231,710	$ 4,123,629
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Income (loss) from operations	$ 10,868,096	$ (22,953,794)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities		
Depreciation and amortization	16,103,026	15,037,232
Provision for uncollectible accounts	9,790,586	6,022,495
Change in assets and liabilities		
Receivables, net	(10,164,481)	3,701,344
Other assets	(2,146,347)	714,666
Accounts payable and accrued expenses	(12,129,001)	11,345,093
Net cash provided by operating activities	$ 12,321,879	$ 13,867,036
Additional Cash Flow Information		
Property and equipment acquired through accounts payable	$ 2,114,118	$ 18,500,000

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

Nature of Operations and Reporting Entity

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

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

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, cash equivalents consisted primarily of money market accounts with banks.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. The investment in certain joint venture activity is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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

Patient Accounts Receivable

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

Inventories

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

Capital Assets

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

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

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Compensated Absences

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

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

Net Assets

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

Interest Rate Swap Agreements

The Hospital uses interest rate swap agreements to manage financial risks related to interest rate movements and the effects on its cash flows. The Hospital has not designated the interest rate swap agreement as a hedging instrument under the provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, D*erivatives and Hedging.* As a result, the agreement is recorded at its fair value in the balance sheets. The net cash payments or receipts under the interest rate swap agreements are recorded as an increase or decrease to interest expense. Changes in the fair value of the interest rate swap agreements are included in investment income in the accompanying statements of revenues, expenses and changes in net assets.

Income Taxes

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

Grants and Contributions

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

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

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

A summary of payment arrangements include:

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

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

Medicaid Disproportionate Share. The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive DSH payments. The amounts of these additional DSH funds are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. DSH payments have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized $7,151,107 and $11,968,276 of net patient service revenue related to the DSH program for the years ended December 31, 2009 and 2008, respectively.

Effective January 1, 2008, the State of Indiana began operating an insurance plan for the benefit of Indiana residents without health insurance. The plan, referred to as the Healthy Indiana Plan (HIP), will be funded through an additional state cigarette tax and with the use of a portion of the DSH funds described above. As such, the level of future DSH payments may also be negatively affected.

Approximately 39.4% and 37.5% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2009 and 2008, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

The 2009 net patient service revenue increased approximately $1,014,000 due to removal of previously estimated amounts that are no longer necessary as a result of final settlements. The 2008 net patient service revenue also increased approximately $5,858,000 due to final settlements in excess of amounts previously estimated.

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

	2009	2008
Gross patient charges		
Inpatients	$ 179,305,017	$ 109,438,703
Outpatients	212,756,731	153,843,507
	392,061,748	263,282,210
Charity care charges foregone	(8,618,825)	(5,618,338)
Provision for bad debt	(9,790,586)	(6,022,495)
Contractual allowances	(179,798,178)	(113,189,210)
Net patient service revenue	$ 193,854,159	$ 138,452,167

Note 3: Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2009 and 2008, charges excluded from revenue under its charity policy were $8,618,825 and $5,618,338, respectively. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was $3,587,696 for 2009 and $2,259,143 for 2008.

Note 4: Deposits, Investments and Investment Income

Deposits

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

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

Investments

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

At December 31, 2009 and 2008, the Hospital had the following investments, all of which mature within one year:

	Fair Value	
	2009	2008
Money market funds	$ 1,823,709	$ 1,831,883
Interest receivable	11,163	11,163
Mutual funds	90,164,434	58,499,440
	$ 91,999,306	$ 60,342,486

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's, with a maximum maturity of one year. At December 31, 2009 and 2008, the Hospital's investments in mutual funds were not rated by Standard & Poor or Moody. No investments are to be made by the Hospital in nonmarketable securities.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in repurchase agreements, equities and fixed income securities at December 31, 2009 and 2008 are held by the counterparties in other than the Hospital's name.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2009 and 2008, the Hospital's investment in mutual funds consisted of:

	2009	2008
Frontegra Columbus Core Plus fixed income fund	42%	54%
PIMCO Low Duration fund	17%	0%
Touchstone Sands Capital Institutional Growth fund	12%	10%
Vanguard Institutional Index fund	10%	12%
Mainstay ICAP Select Equity fund	10%	13%
Other funds	9%	11%
	100%	100%

Summary of Carrying Values

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

	2009	2008
Carrying value		
Deposits	$ 26,231,710	$ 4,123,629
Investments	90,175,597	58,510,603
	$ 116,407,307	$ 62,634,232
Included in the following balance sheet captions		
Cash and cash equivalents	$ 24,408,001	$ 2,291,746
Current assets limited as to use	1,750,413	1,746,661
Noncurrent assets limited as to use	90,248,893	58,595,825
	$ 116,407,307	$ 62,634,232

Investment Return

Investment return for the years ended December 31, 2009 and 2008 consisted of:

	2009	2008
Interest and dividend income	$ 4,894,861	$ 2,781,740
Net increase (decrease) in fair value of investments	16,496,756	(26,518,519)
Net increase (decrease) in fair value of interest rate swap liability	2,239,710	(3,432,146)
	$ 23,631,327	$ (27,168,925)

Note 5: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. The mix of accounts receivable from patients and third-party payers at December 31, 2009 and 2008 was as follows:

	2009	2008
Medicare	25.8%	34.1%
Medicaid	11.9%	10.7%
Other third-party payers	40.9%	39.0%
Individual patients	21.4%	16.2%
	100.0%	100.0%

Note 6: Investment in and Advances to Equity Investees

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

Company Name - Description	Ownership %	2009 Investment Amount	2008 Investment Amount
Brown County Medical Coop LLC - Medical Office Building	50.00%	$ 725,248	$ 767,915
Columbus Surgery Center LLC - Ambulatory Surgery	50.00%	1,089,518	1,661,676
Columbus Urgent Care Center JT Venture - Immediate Care Center	50.00%	560,734	482,954
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	450,000	450,000
Health Point LLC - Health Maintenance Organization	19.99%	-	268,754
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	181,921	181,921
United Hospital Services, LLC - Laundry Services	4.35%	65,680	65,680
Total		$ 3,073,101	$ 3,878,900

Note 7: Capital Assets

Capital assets activity for the years ended December 31, 2009 and 2008 was:

2009

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,715,612	$ -	$ -	$ -	$ 1,715,612
Land improvements	9,878,157	117,346	(344,078)	2,762	9,654,187
Buildings and leasehold improvements	137,552,985	12,524,015	(984,537)	8,297,502	157,389,965
Equipment	91,491,822	11,432,257	(4,677,133)	684,710	98,931,656
Construction in progress	13,990,901	2,729,708	-	(8,984,974)	7,735,635
	254,629,477	26,803,326	(6,005,748)	-	275,427,055
Less accumulated depreciation					
Land improvements	9,315,586	139,981	(344,078)	-	9,111,489
Buildings and leasehold improvements	69,659,464	6,724,311	(629,669)	-	75,754,106
Equipment	56,435,585	8,985,629	(4,253,313)	-	61,167,901
	135,410,635	15,849,921	(5,227,060)	-	146,033,496
	$ 119,218,842	$ 10,953,405	$ (778,688)	$ -	$ 129,393,559

2008

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,554,235	$ 161,377	$ -	$ -	$ 1,715,612
Land improvements	9,712,169	190,681	(24,693)	-	9,878,157
Buildings and leasehold improvements	122,719,939	30,515,651	(15,782,761)	100,156	137,552,985
Equipment	109,701,279	20,040,743	(38,862,762)	612,562	91,491,822
Construction in progress	2,478,350	12,225,269	-	(712,718)	13,990,901
	246,165,972	63,133,721	(54,670,216)	-	254,629,477
Less accumulated depreciation					
Land improvements	9,104,478	235,801	(24,693)	-	9,315,586
Buildings and leasehold improvements	75,123,776	5,480,480	(10,944,792)	-	69,659,464
Equipment	77,275,834	9,100,232	(29,940,481)	-	56,435,585
	161,504,088	14,816,513	(40,909,966)	-	135,410,635
	$ 84,661,884	$ 48,317,208	$ (13,760,250)	$ -	$ 119,218,842

Note 8: Medical Malpractice Claims

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

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

On February 1, 2002, the Insurance Commissioner of the Commonwealth of Pennsylvania placed PHICO into liquidation. Prior to February 1, 2002, PHICO served as the Hospital's malpractice insurance carrier. For those claims incurred prior to February 1, 2002, the Hospital has exposure to the potential losses that may result from those claims, up to $250,000 per claim. Approximately $4,000 and $197,000 in claims and related expenses were paid out during 2009 and 2008, respectively. As of December 31, 2009, approximately $287,000 is accrued toward the payment of the anticipated, incurred PHICO claims and management does not expect that the amount that will be finally settled will be material to the financial position of the Hospital. However, it is reasonably possible these estimates could change materially in the near term.

Activity in the Hospital's accrual for malpractice claims during 2009 and 2008 is summarized as follows:

	2009	2008
Balance, beginning of year	$ 489,000	$ 856,000
Changes in estimate for potential claims	(206,000)	(170,000)
Claims and expenses paid	4,000	(197,000)
Balance, end of year	$ 287,000	$ 489,000

Note 9: Self-Insured Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $185,000. The Hospital is also self-insured for worker's compensation claims. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Activity in the Hospital's accrued employee health claims liability during 2009 and 2008 is summarized as follows:

	2009	2008
Balance, beginning of year	$ 1,364,000	$ 1,258,000
Current year claims incurred and changes in estimates for claims incurred in prior years	12,778,914	10,518,117
Claims and expenses paid	(12,267,267)	(10,412,117)
Balance, end of year	$ 1,875,647	$ 1,364,000

Note 10: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2009 and 2008:

	2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority Bonds Series 2009	$ -	$ 43,095,000	$ -	$ 43,095,000	$ 845,000
Indiana Health Facility Financing Authority Bonds - Series 2003	45,550,000	-	45,550,000	-	-
Indiana Health Facility Financing Authority Bonds - Series 1993	23,440,000	-	2,710,000	20,730,000	2,895,000
	68,990,000	43,095,000	48,260,000	63,825,000	3,740,000
Plus: Unamortized bond premium	971,320	-	231,120	740,200	-
Less: Deferred amount on refunding	-	1,773,648	-	1,773,648	-
Total long-term debt	$ 69,961,320	$ 41,321,352	$ 48,491,120	$ 62,791,552	$ 3,740,000

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Indiana Health Facility Financing Authority					
Bonds - Series 2003	$ 48,900,000	$ -	$ 3,350,000	$ 45,550,000	$ 3,300,000
Indiana Health Facility Financing Authority					
Bonds - Series 1993	23,440,000	-	-	23,440,000	2,710,000
	72,340,000	-	3,350,000	68,990,000	6,010,000
Plus: Unamortized bond discount	1,203,883	-	232,563	971,320	-
Total long-term debt	$ 73,543,883	$ -	$ 3,582,563	$ 69,961,320	$ 6,010,000

Revenue Bonds Payable

Indiana Health Facility Financing Authority Hospital Revenue Refunding Bonds, Series 1993, payable August 2015 are subject to mandatory redemption through the operation of a sinking fund commencing August 15, 2009. The amount of the principal payable at December 31, 2009 and 2008 totals $20,730,000 and $23,440,000. The unamortized bond issue premium at December 31, 2009 and 2008 totals $740,200 and $971,320. Interest is payable semiannually at 7.0%.

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

Indiana Health Facility Financing Authority Hospital Revenue Refunding Bonds, Series 2003 (Auction Rate Securities) are payable in annual principal payments through August 1, 2022. Interest is variable, determined and paid generally every 35 days at auction.

In August 2003, the Hospital issued its note to the IHFFA securing the IHFFA Hospital Revenue Refunding Bonds, Series 2003, tax-exempt insured auction rate securities in the amount of $61,000,000. The proceeds from the bonds were used to acquire certain healthcare property, refund a portion of the Series 1993 Bonds and also refund the entire Series 2002 Bonds.

The interest rates determined on the 2003 bonds are determined at auction every 35 days. In the event that an auction fails or does not complete, the trust indenture provides that the bonds yield interest at 150% of the One-Month London Interbank Bank Offered Rate (LIBOR) as long as the bonds maintain a rating of AAA or higher. In the event the bond's rating drops below AAA, the percentage of LIBOR increases as defined in the trust indenture. The maximum interest rate imposed under the bond issue is 20%.

During 2008, the bond insurer's rating dropped below AAA, resulting in an adjustment to the interest rate to 175% of LIBOR, which was the interest rate at December 31, 2008.

In connection with the 2003 bond issue described above, the Hospital is required to maintain certain financial covenants in favor of the bond insurer. At December 31, 2008, the Hospital was not in compliance with the days cash on hand covenant, which requires the Hospital to establish additional debt service reserve funds. The bond insurer formally waived this covenant violation through December 31, 2009.

In November 2009, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B in the amount of $43,095,000. The bonds were issued to refund the IHFFA Hospital Revenue Refunding Bonds, Series 2003. Annual principal payments are due through August 1, 2021 and interest is variable, determined weekly and paid monthly. In addition, the payment of principal and interest is further secured by separate irrevocable, direct-pay letters of credit for which the Hospital pays a letter of credit fee quarterly. These letters of credit expire November 2012. The Series 2009 Bond issue requires the Hospital to maintain certain financial covenants similar to previous bond issues. In connection with refunding of the Series 2003 Bonds, the related bond issue costs were deferred and are being amortized over the life of the Series 2009 Bond issue.

The debt service requirements (excluding bond premium accretion) as of December 31, 2009, are as follows:

Year Ending December 31, 2009	Total to be Paid	Principal	Interest
2010	$ 6,612,921	$ 3,740,000	$ 2,872,921
2011	6,549,556	3,915,000	2,634,556
2012	6,560,236	4,175,000	2,385,236
2013	6,569,480	4,455,000	2,114,480
2014	6,582,433	4,755,000	1,827,433
2015-2019	34,152,011	28,820,000	5,332,011
2020-2022	14,542,151	13,965,000	577,151
	$ 81,568,788	$ 63,825,000	$ 17,743,788

Note 11: Line of Credit Agreement

On January 15, 2009, the Hospital entered into an unsecured taxable line of credit providing up to $29,000,000 of nonrevolving credit. The line matured on December 31, 2009 and was not renewed. During the second quarter of 2010, the Hospital entered into an unsecured taxable line of credit providing up to $3,000,000 of nonrevolving credit, this line will mature during the second quarter of 2011. As of December 31, 2009, there were no borrowings against this line of credit.

Note 12: Interest Rate Swap Agreement

Objective of the Interest Rate Swap

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

Terms

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

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2009
$ 12,985,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (796,797)
14,620,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(571,888)
$ 27,605,000						$ (1,368,685)

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2008
$ 14,005,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	$ (1,888,850)
15,760,000	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	(1,719,545)
$ 29,765,000						$ (3,608,395)

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

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimated relevant future market conditions. The fair values of the agreements are recognized in the Hospital's financial statements.

Interest Rate Risk

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

Maturities in Years			
Less Than 1	**1-5**	**6-10**	**More Than 10**
$ 620,000	$ 3,290,000	$ 15,515,000	$ 8,180,000

Credit Risk

The fair value of each swap represents the Hospital's credit exposure to the counterparty as of December 31. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the fair value at that date. To mitigate the potential for credit risk, the swaps are insured by Financial Security Assurance, which was rated AAA by Standards & Poor's and Aa3 by Moody's Investors Service as of December 31, 2009 and 2008.

Basis Risk

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

Termination Risk

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

The change in the Hospital's fair value of interest rate swap agreements during 2009 and 2008 is summarized as follows:

	2009	2008
Balance, beginning of year	$ (3,608,395)	$ (176,349)
Increase (decrease) in market value	2,239,710	(3,432,046)
Balance, end of year	$ (1,368,685)	$ (3,608,395)

Note 13: Restricted and Designated Net Assets

At December 31, 2009 and 2008, restricted expendable net assets were available for the following purposes:

	2009	2008
Debt service	$ 1,823,709	$ 1,831,883
Capital acquisitions	106,898	263,441
Specific operating activities	3,394	3,594
Total restricted expendable net assets	$ 1,934,001	$ 2,098,918

At December 31, 2009 and 2008, approximately $90 million and $54 million, respectively, of unrestricted net assets have been designated by the Hospital's Board of Trustees for capital acquisitions. Designated net assets remain under the control of the Board of Trustees, which may, at its discretion, later use these net assets for other purposes.

Note 14: Operating Leases

The Hospital leases various facilities under operating leases expiring at various dates through 2018. Total rental expense in 2009 and 2008 for all operating leases was approximately $731,000 and $750,000, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2009 that have initial or remaining lease terms in excess of one year:

2010	$ 1,089,000
2011	1,176,000
2012	1,072,000
2013	803,000
2014	544,000
2015 - 2018	1,878,000
Future minimum lease payments	$ 6,562,000

Note 15: Retirement Plans

Pension Plan

Plan Description

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

Funding Policy

The Hospital is required to contribute at an actuarially determined rate; the rate was 5.24% and 3.89% of annual covered payroll for 2009 and 2008, respectively. The Columbus Regional Hospital Pension Committee is responsible for establishing the required plan contribution. The Hospital's contributions to the plan for 2009 and 2008 were $4,869,724 and $2,090,250. The 2008 contributions were less than the required contribution and the remaining required contribution was included in current liabilities at December 31, 2008 and subsequently paid in 2009. 2009 contributions were equal to the required contribution for 2009, plus the additional contribution for 2008, which was included in current liabilities at December 31, 2008.

Annual Pension Cost and Net Pension Obligation

The Hospital's annual pension cost and net pension obligation of the plan for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Annual required contribution	$ 4,058,659	$ 2,901,315
Interest on net pension obligation	82,313	88,416
Adjustment to annual required contribution	(153,338)	(164,708)
Annual pension cost	3,987,634	2,825,023
Contributions made	4,058,659	2,090,250
Contributions accrued in current liabilities	-	811,065
Decrease in net pension obligation	(71,025)	(76,292)
Net pension obligation, beginning of year	1,028,909	1,105,201
Net pension obligation, end of year	$ 957,884	$ 1,028,909

Actuarial valuation date:	January 1, 2009
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar open
Amortization period:	Ten years
Asset valuation method:	Market related value

Actuarial Assumptions

Investment rate of return	8.00%
Projected future salary increases	2.00% for 2010 and 3.00% for years 2011 and later; plus merit and promotional percentage increases based on age or years of service

Asset Valuation Method

The actuarial value of assets are valued on an adjusted market value basis, which is a weighted-average of the actual market value (weight = 20%) and the expected adjusted market value (weight = 80%). The expected adjusted market value is the prior year's adjusted market value plus contributions less disbursements, all accumulated with interest at the assumed valuation rate to the current valuation date. Notwithstanding the above, the adjusted market value shall never be greater than 115%, nor less than 85%, of the actual market value.

Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 2,527,502	103.2%	$ 1,105,201
2008	2,825,023	74.0%	1,028,909
2009	3,987,634	101.8%	957,884

Funded Status

As of January 1, 2009, the most recent actuarial valuation date, the plan was 69.5% funded. The actuarial accrued liability for benefits was $36.4 million and the actuarial value of assets was $25.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $11.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $77.5 million and the ratio of UAAL to the covered payroll was 14.3%.

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

Defined-Contribution Plan

The Hospital also has a defined-contribution plan under Internal Revenue Code Section 401(a). The Columbus Regional Hospital Employee Savings Plan covers substantially all employees who have elected to participate in the tax sheltered annuity plan. An employee who contributes from 1% to 3% into a tax sheltered annuity plan will receive a matching contribution under the savings plan of .50% to 1%. The Hospital, at its sole discretion, may also contribute a discretionary contribution determined by the Board of Trustees annually. Pension expense under this plan for 2009 and 2008 was $492,122 and $490,311, respectively.

Deferred Compensation Plan

During 2009, the Hospital began a deferred compensation plan for certain independent contractors of the Hospital under Internal Revenue Code Section 457(f). Under the plan, the Hospital makes certain contributions to each participant's deferred compensation account in accordance with the personal services agreement between the Hospital and participant. At December 31, 2009, the liability recorded for deferred compensation earned by the participants was $278,811.

Note 16: Disclosures About Fair Value of Financial Instruments

The following methods were used to estimate the fair value of financial instruments.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which method involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Hospital does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

Investments

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Long-Term Debt

Fair value is estimated based on the borrowing rates currently available to the Hospital for debt with similar terms and maturities.

Interest Rate Swap Agreements

The fair value has been estimated by a third party.

The following table presents estimated fair values of the Hospital's financial instruments at December 31:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 26,231,710	$ 26,231,710	$ 4,123,629	$ 4,123,629
Investments	90,175,597	90,175,597	58,510,603	58,510,603
	$ 116,407,307	$ 116,407,307	$ 62,634,232	$ 62,634,232
Financial liabilities				
Long-term debt	$ 62,791,552	$ 65,209,499	$ 69,961,320	$ 70,570,291
Interest rate swap agreements	1,368,685	1,368,685	3,608,395	3,608,395
	$ 64,160,237	$ 66,578,184	$ 73,569,715	$ 74,178,686

Note 17: Commitments and Contingencies

Commitments

The Board of Trustees has authorized management to enter into several major construction projects. The construction projects revolve around the restoration of the main Hospital grounds related to a catastrophic flood that occurred on June 7, 2008. In addition, the Hospital has entered into a separate construction contract to renovate certain portions of the Hospital. The construction contracts associated with the projects are a percentage base contract to the general contractor and any construction management and architectural retainage is accrued at the time the contract service is rendered.

In connection with the flood damage, the Board of Trustees has authorized management to acquire certain material hospital equipment. As of December 31, 2009, the Hospital had material commitments for acquisition of capital assets and flood renovations totaling approximately $15.1 million.

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

Investigation

The Hospital is the subject of an investigation regarding specific third-party payer program billing issues. Management believes the Hospital's medical records fully support the codes used and billings submitted and intends to vigorously defend the Hospital should any assertions to the contrary be made. No provision has been made in the financial statements for any adverse outcome that might ultimately result from this matter, as the amount of any such loss is not reasonably estimable. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Litigation

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

Note 18: Related Party Transactions

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

Corporate Name/Nature of Relationship	2009	2008
Southeastern Indiana Health Management, Inc. (SIHM)		
Hospital purchases management services		
Management services expense	$ 4,525,140	$ 4,069,506
Rent expense	190,377	168,165
Insurance expense	656,063	648,943
Note receivable	6,492,915	6,111,388
Contributions to related organizations	1,720,565	937,722
Investment income	136,802	143,515
Miscellaneous income	616,423	422,361
Other receivables	89,882	344,002
Notes receivable due from SIHM are made up of the following:		
Note due on demand, interest paid at prime	$ 144,000	$ 179,764
Note due on demand, interest paid at prime plus 1%	953,921	536,630
Long-term note due July 1, 2010, interest of 4%	3,294,994	3,294,994
Interest-free long-term note due May 1, 2017	2,100,000	2,100,000
	$ 6,492,915	$ 6,111,388
Columbus Regional Hospital Foundation, Inc.		
Hospital receives donations and makes contributions		
Contributions to the Foundation	$ 326,634	$ 431,899
Contributions received from the Foundation	164,827	2,325,540
Other receivables	19,471	25,015
Hospice of South Central Indiana, Inc.		
Hospital purchases services		
Operating expenses	60,000	60,000
Miscellaneous sales to Hospice	134,126	110,728
Other receivables	253,763	147,893

Note 19: Extraordinary Item

On June 7, 2008, the Hospital experienced a catastrophic flood loss and was forced to evacuate its patients and close the Hospital's operations. The damage closed a majority of the Hospital's operations from June 7, 2008 through October 2008. Since the Hospital was not in a flood plain and floods are sufficiently rare for the area in and around the Hospital, it has been categorized as a 500-year flood. As such, management determined the flood loss was an extraordinary event.

Losses included in the extraordinary item include all losses, net of insurance proceeds applicable to property losses, directly related to the flood. Such losses include the net book value of equipment, furniture and fixtures directly destroyed by the flood, inventory losses, evacuation costs, flood remediation costs, revenue lost due to data loss during the flood and an impairment loss on the building.

The main Hospital building experienced a significant and unexpected decline in service utility. Under Governmental Accounting Standards Board (GASB) Accounting Standards Codification (ASC) Part I, Section 1400, *Reporting Capital Assets*, the Hospital sustained an impairment loss. The impairment loss was calculated under the restoration cost approach provided for under that pronouncement.

As of December 31, 2009 and 2008, the extraordinary item is comprised of:

	2009	2008
Flood remediation	$ 519,543	$ 15,536,172
Equipment losses	-	12,021,164
Building impairment	-	10,430,000
Supplies and other losses	-	9,972,113
Insurance proceeds and proceeds from sale of damaged property	-	(15,261,608)
Total extraordinary item	$ 519,543	$ 32,697,841

The Hospital's flood insurance policy was limited to $25,000,000, which included property losses and business interruption losses. The scale of the flood-related property and business interruption losses exceeded insured amounts. Portions of the insurance proceeds were netted against the extraordinary loss and the business interruption portion is reported as nonoperating income.

In connection with the extraordinary loss, the Hospital has applied for and been granted certain funds from the Federal Emergency Management Administration (FEMA) and other state and federal agencies. FEMA provides reimbursement of property losses in excess of insured values and also provides reimbursement for emergency stabilization costs incurred in excess of insured losses.

The Hospital continues to reconstruct the Hospital from the flood losses and management believes additional FEMA funding will be available to assist with such expenditures.

Note 20: Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines and unanticipated declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, including defined-benefit pension plan investments and allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Required Supplemental Information
(Unaudited)

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Required Supplementary Pension Plan Information
December 31, 2009
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
1/1/2007	$ 31,704,608	$ 33,053,543	$ 1,348,935	95.9%	$ 70,888,318	1.9%
1/1/2008	34,353,188	36,134,950	1,781,762	95.1%	74,488,608	2.4%
1/1/2009	25,288,821	36,396,101	11,107,280	69.5%	77,513,889	14.3%

Schedule of Employer Contributions

Year Ended December 31	Annual Pension Cost (APC)	Annual Required Contribution (ARC)	Amount Contributed	Percentage of ARC Contributed	Net Pension Obligation
2007	$ 2,527,502	$ 2,609,450	$ 2,609,450	100%	$ 1,105,201
2008	2,825,023	2,901,315	2,090,250	72%	1,028,909
2009	3,987,634	4,058,659	4,869,724	120%	957,884

Supplementary Information

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/Program Federal Agency/Pass-Through Agency	CFDA Number	Grant or Identifying Number	Amount
U.S. Department of Health and Human Services/Indiana Department of Child Services			
Social Services Block Grant Emergency Supplemental Funds	93.667		$ 3,378,381
U.S. Department of Homeland Security/Federal Emergency Management Agency			
Disaster Grant - Public Assistance	97.036		26,629,053
U.S. Department of Housing and Urban Development/Indiana Office of Community and Rural Affairs			
State Administered Community Development Block Grant Program	14.228		13,564,560
U.S. Department of Health and Human Services/Indiana State Department of Health			
National Bioterrorism Hospital Preparedness Program	93.889	BHP 759	40,918
			$ 43,612,912

Notes to Schedule

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

2. The Hospital provided no federal awards to subrecipients.

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

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited the financial statements of Columbus Regional Hospital (Hospital) as of and for the year ended December 31, 2009, and have issued our report thereon dated May 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Hospital's management in a separate letter dated May 13, 2010.

This report is intended solely for the information and use of the board of trustees, management and others within the Hospital and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
May 13, 2010

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Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

Compliance

We have audited the compliance of Columbus Regional Hospital (Hospital) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Hospital's management. Our responsibility is to express an opinion on the compliance of Columbus Regional Hospital based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Hospital's compliance with those requirements.

In our opinion, Columbus Regional Hospital complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Columbus Regional Hospital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Hospital's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of trustees, management, others within the Hospital, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
May 13, 2010

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

7. The Hospital's major programs were:

Program	CFDA Number
State Administered Community Development Block Grant Program	14.228
Disaster Grant - Public Assistance	97.036

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $1,308,387.

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

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009

Reference Number	Finding	Status
	No matters are reportable.	