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September 13, 2017

Board of Directors  
Major Health Partners  
150 West Washington Street  
Shelbyville, IN 46176

We have reviewed the audit report prepared by Blue & Co., LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Report of Independent Auditors, the financial statements included in the report present fairly the financial condition of Major Health Partners, as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

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



**MAJOR HEALTH  
PARTNERS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016 AND 2015**

*CPAs / ADVISORS*



# MAJOR HEALTH PARTNERS

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Major Health Partners  
Shelbyville, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Major Health Partners (MHP), a component unit of Shelby County, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MHP's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Trustees  
Major Health Partners  
Shelbyville, Indiana

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MHP as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, in 2016, MHP adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Our opinion is not modified with respect to this matter.

### Report on Required Supplementary Information

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

Board of Trustees  
Major Health Partners  
Shelbyville, Indiana

Report on Supplementary Information

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

*Blue & Co., LLC*

Indianapolis, Indiana  
April 24, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**

# MAJOR HEALTH PARTNERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

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This section of Major Health Partners' (MHP) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of MHP's financial performance. This MD&A does include a discussion and analysis of the activities and results of MHP which is the consolidated entity that consists of Major Hospital (the Hospital) and its blended component units, MedWorks, Inc. (MedWorks), Major Affiliates, Inc. (MAI), Major Hospital Foundation and MDSolutions, LLC. MAI and MDSolutions dissolved effective December 31, 2015. Please read it in conjunction with MHP's consolidated financial statements that follow this MD&A.

### FINANCIAL HIGHLIGHTS

- MHP reported a positive change in net position for 2016 of approximately \$34.4 million compared to a positive change in net position of approximately \$30.3 million in 2015, representing an increase of approximately \$4.2 million in comparison to the 2015 results.
- During 2014, MHP issued Indiana Finance Authority Hospital Revenue Bonds, Series 2014A with a face amount of \$53,505,000 for construction of a replacement acute care hospital.
- MHP spent approximately \$58.2 million on equipment and capital projects in 2016 net of disposals. Included in capital expenditures is the construction in progress related to the construction of a replacement acute care hospital. Major capital equipment expenditures include the replacement of all inpatient beds and mattresses, surgery equipment, oncology recliners, imaging c-arm mobile unit, disease management exam tables, respiratory therapy ventilators, and a pool liner replacement for the outpatient physical therapy department. Capital expenditures related to information technology include additional servers, equipment, and technology that will support the replacement hospital, ongoing personal computer replacements, purchase of Microsoft Office 365 enterprise package, and an employee scheduling software. The Hospital spent money for ongoing building maintenance and improvements, including renovations to an administration building for offsite offices and constructing a building to house grounds equipment.

### USING THIS ANNUAL REPORT

MHP's consolidated financial statements consist of three consolidated statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of MHP.

The consolidated balance sheet includes all of MHP's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to MHP creditors (liabilities).

All of the current year's revenue earned and expenses incurred are accounted for in the consolidated statement of revenues, expenses and changes in net position.

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

Finally, the consolidated statement of cash flows' purpose is to provide information about MHP's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in the cash balance during the year.

#### THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The balance sheet and the statement of revenues, expenses and changes in net position report information about MHP's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the economic resources measurement focus and on the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

#### MHP's NET POSITION

Table 1: Balance Sheets

	2016	2015	2014
<b>Assets</b>			
Current assets	\$ 104,117,064	\$ 105,122,212	\$ 93,767,127
Assets whose use is limited, net	129,163,966	145,718,578	154,863,819
Capital assets, net	138,860,028	86,469,521	43,079,192
Other assets, net	5,283,416	5,598,917	5,612,921
Total assets	<u>\$ 377,424,474</u>	<u>\$ 342,909,228</u>	<u>\$ 297,323,059</u>
<b>Liabilities</b>			
Current liabilities	\$ 98,412,977	\$ 96,017,508	\$ 79,420,538
Other liabilities	1,178,109	978,490	1,022,832
Long term debt, net	77,224,292	79,743,740	80,973,319
Total liabilities	<u>176,815,378</u>	<u>176,739,738</u>	<u>161,416,689</u>
<b>Net position</b>			
Net investment in capital assets	60,369,009	18,869,078	12,487,977
Restricted	3,263,355	1,723,199	1,144,809
Unrestricted	136,976,732	145,577,213	122,273,584
Total net position	<u>200,609,096</u>	<u>166,169,490</u>	<u>135,906,370</u>
Total liabilities and net position	<u>\$ 377,424,474</u>	<u>\$ 342,909,228</u>	<u>\$ 297,323,059</u>

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

The significant changes in MHP's assets resulted from an increase in capital assets of approximately \$52.4 million and a decrease in assets whose use is limited of approximately \$16.6 million. Capital assets increased as a result of additional construction in process related to the construction of the replacement hospital. The decrease in assets whose use is limited was a result of funds used for the construction of the replacement hospital. Total liabilities slightly increased in 2016 by approximately \$80,000 in comparison to 2015. The increase is attributable to an increase in accrued salaries and wages stemming from an increase in employees during 2016 compared to 2015.

### OPERATING RESULTS AND CHANGES IN NET POSITION AND CASH FLOWS

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

	2016	2015	2014
<b>Revenues</b>			
Net patient service revenue	\$ 403,665,392	\$ 397,635,277	\$ 325,042,199
Other operating revenue	4,016,816	3,110,885	3,012,460
Total revenues	407,682,208	400,746,162	328,054,659
<b>Expenses</b>			
Salaries and benefits	77,279,580	67,556,252	64,158,227
Supplies	18,682,339	18,026,236	17,391,564
Depreciation and amortization	6,960,050	7,442,133	7,176,002
Other operating expenses	277,852,006	280,160,704	214,571,810
Total expenses	380,773,975	373,185,325	303,297,603
Operating income	26,908,233	27,560,837	24,757,056
<b>Non-operating revenue (expense), net</b>	5,156,519	15,716	(1,549,447)
Excess of revenues over expenses	32,064,752	27,576,553	23,207,609
<b>Transfers from noncontrolling interest</b>	2,374,854	2,686,567	2,255,944
Change in net position	34,439,606	30,263,120	25,463,553
<b>Net position</b>			
Beginning of year	166,169,490	135,906,370	110,442,817
End of year	\$ 200,609,096	\$ 166,169,490	\$ 135,906,370

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

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#### SOURCES OF REVENUE

During 2016, MHP derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 63% of MHP's acute care gross revenues in 2016 but 46% of MHP's acute care net patient service revenues.

MHP's service mix remained relatively consistent between 2016 and 2015. Acute inpatient revenue accounted for 13% of gross revenue in both 2016 and 2015. Acute outpatient revenue was 47% and 44% of total gross revenue in 2016 and 2015, respectively. Long-term care revenue was 40% and 43% of total gross revenue in 2016 and 2015, respectively.

Following is a table of major sources of acute care gross patient revenues for the past three years:

	2016	2015	2014
Medicare	43%	44%	44%
Medicaid	20%	21%	14%
Anthem	15%	14%	15%
Commercial	18%	16%	17%
Self Pay	4%	5%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

#### OPERATING AND FINANCIAL PERFORMANCE

MHP had income from operations of approximately \$26.9 million in 2016, which resulted in a return on equity of 13.4% compared to income from operations of approximately \$27.6 million in 2015 and return on equity of 16.6%.

This following section highlights the major financial factors for 2016 for MHP:

- The Hospital's discharges increased from 2,722 in 2015 to 2,835 in 2016. The Hospital's adjusted patient days increased to 41,637 in 2016 compared to 38,830 in 2015.
- Overall net patient service revenue increased approximately \$6.0 million in 2016. The increase was driven by an increase in volumes and revenue generated from new service lines. The Hospital received approximately \$2.4 million from the State for the Indiana Medicaid Municipal Hospital Payment Adjustment, which was a decrease from the 2015 amount of approximately \$3.5 million.
- Other operating revenue for MHP increased approximately \$906,000 during 2016. The increase was the result of an increase in donations for the Foundation.

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

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- Operating expenses increased by approximately \$7.6 million in 2016. This increase is result of an increase in salaries and wages and employee benefits.
- Salaries and wages expense for MHP increased by approximately \$6.3 million between 2016 and 2015. The increase was primarily the result of additional employees hired during the year to accommodate new services and employees hired for the new replacement hospital that opened in January, 2017. Employee benefits increased by approximately \$3.4 million between 2016 and 2015 as a result of additional employees and higher than normal health insurance claims for 2016.
- Medical professional fees for MHP increased by approximately \$234,000 between 2016 and 2015. The increase was primarily the result of contracting a physician to fill open shifts for the hospitalist program.
- Supplies increased by approximately \$656,000 between 2016 and 2015. The increase was the result of increased pharmaceutical expense due to higher surgery volumes and increased cost to acquire replacement drugs due to shortages.
- Purchased services decreased approximately \$5.0 million or 2.2% in 2016. The majority of this decrease relates to long-term care operations.

#### Table 3: Statements of Cash Flows

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

	2016	2015	2014
Cash flows from			
Operating activities	\$ 37,316,609	\$ 42,156,833	\$ 34,238,940
Noncapital financing activities	2,374,854	2,686,567	2,255,944
Capital and related financing	(60,811,388)	(52,359,658)	39,497,197
Investing	23,199,807	(23,147,526)	1,168,658
Change in cash and cash equivalents	<u>\$ 2,079,882</u>	<u>\$ (30,663,784)</u>	<u>\$ 77,160,739</u>

Cash and cash equivalents decreased by approximately \$10.3 million in 2016 compared to a decrease of approximately \$17.5 million in 2015. The majority of the 2016 decrease relates to cash used for capital asset acquisitions offset by cash generated from operations and investing activities.

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2016 AND 2015

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#### CAPITAL ASSETS

During 2016, MHP invested approximately \$59.1 million in capital assets along with retirements and transfers of approximately \$1.0 million. The change in capital assets is outlined in the following table:

	2016	2015	2014
Land and land improvements	\$ 8,533,127	\$ 8,436,964	\$ 8,485,889
Leasehold improvements	7,101,528	6,069,456	4,441,242
Buildings and improvements	42,579,818	39,392,657	49,854,703
Equipment	41,093,966	36,144,014	39,458,655
Construction in progress	99,365,523	50,468,863	5,056,023
Total property and equipment	198,673,962	140,511,954	107,296,512
Less accumulated depreciation	59,813,934	54,042,433	64,217,320
Capital assets, net	<u>\$ 138,860,028</u>	<u>\$ 86,469,521</u>	<u>\$ 43,079,192</u>

Capital assets have increased primarily due to construction in progress in 2016. This construction in progress primarily relates to the construction of the new replacement hospital facility. MHP strives to meet the needs of the community and provide high quality care by adding new equipment and facilities or by replacing or upgrading equipment as it becomes obsolete. More detailed information about MHP's capital assets is presented in the notes to the consolidated financial statements.

#### DEBT

MHP has debt outstanding in the Indiana Finance Authority Hospital Revenue Bonds, loans payable and notes payable. More detailed information about MHP's long-term debt is presented in the notes to the consolidated financial statements.

#### ECONOMIC OUTLOOK

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

# **MAJOR HEALTH PARTNERS**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2016 AND 2015

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## **CONTACTING MHP's FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of MHP's finances and to show MHP's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MHP's Administration Department, at 2451 Intelliplex Dr., Shelbyville, IN 46176.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015

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#### ASSETS

	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,664,838	\$ 18,978,731
Patient accounts receivable, net of allowance for uncollectible accounts of \$12,852,152 in 2016 and \$9,481,361 in 2015	44,437,542	42,942,902
Inventory and other current assets	38,871,400	42,180,099
Current portion of assets whose use is limited	2,143,284	1,020,480
Total current assets	<u>104,117,064</u>	<u>105,122,212</u>
<b>Assets whose use is limited</b>		
Internally designated	127,483,812	132,335,179
Held by trustee for construction	876,557	13,209,878
Donor restricted funds	2,946,881	1,194,001
Total assets whose use is limited	<u>131,307,250</u>	<u>146,739,058</u>
Less current portion	2,143,284	1,020,480
Noncurrent assets whose use is limited	<u>129,163,966</u>	<u>145,718,578</u>
<b>Capital assets, net</b>	138,860,028	86,469,521
<b>Property held for investment</b>	1,926,460	1,926,460
<b>Other assets, net</b>	3,356,956	3,672,457
Total assets	<u>\$ 377,424,474</u>	<u>\$ 342,909,228</u>

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See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015

#### LIABILITIES AND NET POSITION

	2016	2015
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 81,814,293	\$ 81,798,588
Accrued wages and related liabilities	11,105,400	9,600,208
Estimated third-party settlements	3,350,000	3,552,131
Current portion of long-term debt		
Loans payable	-0-	46,101
Revenue bonds payable	2,143,284	1,020,480
Total current liabilities	<u>98,412,977</u>	<u>96,017,508</u>
<b>Other liabilities</b>	1,178,109	978,490
<b>Long term debt, net of current portion</b>		
Loans payable	-0-	295,501
Revenue bonds payable	77,224,292	79,448,239
Total long term debt	<u>77,224,292</u>	<u>79,743,740</u>
Total liabilities	176,815,378	176,739,738
<b>Net position</b>		
Net investment in capital assets	60,369,009	18,869,078
Restricted		
Expendable - other specific purpose	336,706	339,154
Non-expendable	2,926,649	1,384,045
Total restricted net position	<u>3,263,355</u>	<u>1,723,199</u>
Unrestricted	136,976,732	145,577,213
Total net position	<u>200,609,096</u>	<u>166,169,490</u>
Total liabilities and net position	<u>\$ 377,424,474</u>	<u>\$ 342,909,228</u>

See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Revenues</b>		
Net patient service revenue	\$ 403,665,392	\$ 397,635,277
Other revenue	4,016,816	3,110,885
Total revenues	407,682,208	400,746,162
<b>Expenses</b>		
Salaries and wages	59,447,138	53,109,989
Employee benefits	17,832,442	14,446,263
Medical professional fees	3,998,495	3,764,438
Supplies	18,682,339	18,026,236
Purchased services	231,044,452	235,995,591
Rent and maintenance	33,678,030	32,423,679
Utilities	1,616,976	1,719,094
Insurance	1,248,294	1,058,573
Depreciation and amortization	6,960,050	7,442,133
Hospital assessment fee	2,653,871	2,092,518
Other expenses	3,611,888	3,106,811
Total expenses	380,773,975	373,185,325
Operating income	26,908,233	27,560,837
<b>Nonoperating revenues (expenses)</b>		
Investment income	4,923,266	984,926
Interest expense	(334,027)	(315,942)
Other nonoperating revenue (expense)	567,280	(653,268)
Nonoperating revenues (expenses), net	5,156,519	15,716
Excess of revenues over expenses	32,064,752	27,576,553
<b>Transfers from noncontrolling interest</b>	2,374,854	2,686,567
Change in net position	34,439,606	30,263,120
<b>Net position</b>		
Beginning of year	166,169,490	135,906,370
End of year	\$ 200,609,096	\$ 166,169,490

See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Operating activities</b>		
Cash received from patient services	\$ 401,968,621	\$ 400,736,838
Cash paid for salaries, wages and benefits	(75,774,388)	(68,934,520)
Cash paid to vendors and suppliers	(293,211,352)	(292,753,812)
Other receipts, net	4,333,728	3,108,327
Net cash flows from operating activities	37,316,609	42,156,833
<b>Noncapital financing activities</b>		
Transfers from noncontrolling interest	2,374,854	2,686,567
Net cash flows from noncapital financing activities	2,374,854	2,686,567
<b>Capital and related financing activities</b>		
Principal payments on long-term debt	(1,364,786)	(1,036,214)
Interest on long-term debt	(334,027)	(315,942)
Purchases of capital assets	(59,120,259)	(50,931,698)
Proceeds from the sale of capital assets	9,095	157,801
Other	(1,411)	(233,605)
Net cash flows from capital and related financing activities	(60,811,388)	(52,359,658)
<b>Investing activities</b>		
Investment income	4,923,266	984,926
Other nonoperating revenues (expenses)	567,280	(653,268)
Purchase of investments	(98,282,409)	(56,243,778)
Proceeds from sale of investments	115,991,670	32,764,594
Net cash flows from investing activities	23,199,807	(23,147,526)
Net change in cash and cash equivalents	2,079,882	(30,663,784)
<b>Cash and cash equivalents:</b>		
Beginning of year	74,173,762	104,837,546
End of year	\$ 76,253,644	\$ 74,173,762
<b>Reconciliation of cash and cash equivalents to the consolidated balance sheet</b>		
Cash and cash equivalents		
In current assets	\$ 18,664,838	\$ 18,978,731
In assets whose use is limited		
Internally designated	57,483,524	55,137,477
Donor restricted	105,282	57,554
Total cash and cash equivalents	\$ 76,253,644	\$ 74,173,762

See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

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	2016	2015
<b>Reconciliation of operating income to net cash from operating activities</b>		
Operating income	\$ 26,908,233	\$ 27,560,837
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	6,960,050	7,442,133
Bad debts	6,446,547	7,828,799
Changes in operating assets and liabilities		
Patient accounts receivable	(7,941,187)	(5,126,901)
Inventory and other current assets	3,308,699	(11,793,435)
Other assets	315,501	(236,163)
Accounts payable and accrued expenses	15,705	17,459,831
Accrued wages and related liabilities	1,505,192	(1,378,268)
Estimated third-party settlements	(202,131)	400,000
Net cash flows from operating activities	<u>\$ 37,316,609</u>	<u>\$ 42,156,833</u>

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See accompanying notes to consolidated financial statements.

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

The consolidated financial statements of Major Health Partners (MHP) refer to Major Hospital (the Hospital) and its subsidiaries.

The Hospital is an acute-care hospital located in Shelbyville, Indiana, organized for the purpose of providing healthcare services to the residents of Shelby County and the surrounding communities. The Hospital is a city-owned facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient and long-term health care.

A Hospital Appointing Board, consisting of one County Commissioner, one County Council person and the Mayor of the City of Shelbyville, appoints the Governing Board of the Hospital. The Hospital is considered a component unit of Shelby County.

Pursuant to the provision of long-term care, MHP owns the operations of certain long-term care facilities by way of an arrangement with managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the long-term care facilities are the property of MHP and MHP is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of MHP and MHP retains the authority and legal responsibility for the operation of the facilities.

Specifically, MHP entered into lease agreements with the long-term care facilities to lease the facilities managed by the respective managers. Concurrently, MHP entered into an agreement with the managers to manage the leased facilities. As part of the agreements, MHP will pay the managers a management fee to continue managing the facilities on behalf of MHP in accordance with the terms of the agreements. The agreements expire at various times. Generally, all parties involved can terminate the agreement without cause with 90 days written notice.

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

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Blended Component Units

Major Hospital Foundation (the Foundation) is a blended component unit of the Hospital. The Foundation is a separate not-for-profit entity organized to support the operations of the Hospital.

Major Affiliates, Inc. (MAI) was a blended component unit of the Hospital. The Hospital was the sole corporate member of MAI. Although it was legally separate from the Hospital, MAI was reported as if it were a part of the Hospital because the two Governing Boards are substantially the same. MAI ceased operations effective December 31, 2015.

MAI's primary purpose was to further the mission of Major Hospital through recruiting physicians to the Shelbyville region and leasing office space to physicians.

MDSolutions, LLC was a blended component unit of the Hospital. The Hospital owned a 95% interest and MAI owned a 5% interest in MDSolutions, LLC, a management services organization for physicians. MDSolutions ceased operations effective December 31, 2015.

MAI owned 100% of MedWorks, Inc. (MedWorks), which operates a pharmacy located in Shelbyville, Indiana. MedWorks owns 100% of Major Multispecialty Associates, LLC, Family Orthopedic and Rehabilitation Center, LLC, and Priority Care, LLC. MedWorks also owns a majority interest of Onsite Solutions, LLC and Major Medical Group, LLC. These practices generally provide health care services to the community. Following the dissolution of MAI, the Hospital became the 100% owner of MedWorks. As of December 31, 2015, MedWorks became a blended component unit of the Hospital. Although MedWorks is legally separate from the Hospital, MedWorks is reported as if it were a part of the Hospital because the two Governing Boards are substantially the same. These entities have been consolidated for financial statement presentation.

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

The separate financial statements for each of the entities discussed above may be obtained through contacting management of MHP.

#### Use of Estimates

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

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### Measurement Focus and Basis of Accounting

The consolidated financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

### Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of 90 days or less from the date of purchase. MHP maintains its cash in accounts, which at times, may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes it is not exposed to any significant credit risk on cash and cash equivalents.

### Assets Whose Use is Limited

Assets whose use is limited are stated at fair market value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments restricted by donors for a specific purpose and investments held by trustees for debt service.

These investments consist primarily of cash and cash equivalents, certificates of deposit, US government securities, mutual funds, corporate debt and equity securities. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the consolidated statements of revenues, expenses and changes in net position.

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

### Patient Accounts Receivable and Patient Service Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. MHP is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). MHP is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG).

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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MHP is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At MHP's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2013 with differences reflected as deductions from revenue in 2016. Amounts for unresolved cost reports for 2014 through 2016 are reflected in estimated third-party settlements on the consolidated balance sheets.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges less an allowance for contractual adjustments and interim payment advances. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting MHP's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

#### Grants and Contributions

MHP received grant funds from Shelby County and the City of Shelbyville, Indiana. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

#### Endowments

Endowments are provided to MHP through the Foundation on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, the Foundation's governing board is permitted to expend the net appreciation of the investments of endowment funds.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Charity Care

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

Of MHP's total expenses reported within the consolidated statements of revenues, expenses and changes in net position; an estimated \$1,068,000 and \$1,940,000 arose from providing services to charity patients for 2016 and 2015, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on MHP's total expenses to gross patient service revenue. There were no significant changes to MHP's charity care policy during 2016 and 2015, respectively.

#### Inventory and Other Current Assets

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

Other current assets consist of prepaid expenses, other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized during 2017.

The composition of inventory and other current assets includes the following as of December 31:

	2016	2015
Inventory	\$ 3,216,817	\$ 2,793,108
Prepaid expenses	4,330,252	3,454,888
Other receivables	31,324,331	35,932,103
Total	<u>\$ 38,871,400</u>	<u>\$ 42,180,099</u>

#### Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed \$1,000 for the hospital, \$500 for other consolidated entities, and meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred.

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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MHP provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	15 years
Leasehold improvements	15 years
Buildings and improvements	4-50 years
Equipment	5-15 years

### Classification of Net Position

Net position of MHP is classified in four components. (1) Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets and increased by funds held by trustee for construction of the property and equipment related to the borrowings (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. (3) Restricted non-expendable net position includes the principal portion of permanent endowments and noncontrolling interests owned by external investors. (4) Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

### Restricted Resources

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

### Consolidated Statements of Revenues, Expenses and Changes in Net Position

MHP's consolidated statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions such as investment activities are reported as nonoperating revenues or expenses.

### Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2016 and 2015, MHP capitalized interest, net of related income, of approximately \$2,510,000 and \$2,450,000, respectively.

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Hospital is exempt from federal income tax under the Internal Revenue Code of 1986 as a charitable, educational, and scientific organization as described under Section 501(c)(3). As such, the Hospital is generally exempt from income taxes as a unit of local government. No income tax filings are required of the Hospital as it is a governmental instrumentality.

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

The blended component unit of MDSolutions was organized as a limited liability company, whereby net taxable income is taxed directly to the members and not MDSolutions. Thus, the financial statements do not include any provision for Federal or State income taxes.

MedWorks is a corporation subject to Federal and State income taxes. Income taxes for these entities are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. However, the effects of recording a deferred tax provision have been deemed immaterial and have not been recorded in the accompanying consolidated financial statements.

The remaining consolidated subsidiaries of MedWorks are organized as limited liability companies, whereby net taxable income is taxed directly to the members of the limited liability companies. Thus, the consolidated financial statements do not include any provision for Federal or State income taxes related to these entities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by MHP (and their affiliates) and recognize a tax liability if MHP has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and State taxing authorities.

Management has analyzed the tax positions taken by MHP and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. MHP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

These entities have filed their Federal and State income tax returns for periods through December 31, 2015. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Compensated Absences

MHP's policy on compensated absences (which include vacation, sick leave and holidays) allows full time employees and regular part time employees to accrue days off, to a maximum hour as stated in the personnel policies. Compensated absences are accrued when incurred and reported as a liability on the consolidated balance sheets.

#### Advertising

MHP's policy is to expense advertising costs when the advertising first takes place. Advertising expense was approximately \$135,000 and \$143,000 for 2016 and 2015, respectively.

#### Electronic Health Records (EHR) Incentive Payments

MHP receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, MHP must meet "meaningful use" criteria that become more stringent over time. MHP periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30).

The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in MHP's cost reports. The payment calculation is based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges, excluding charity care to total charges, and a transitional factor that ranges from 100% in first payment year and thereby decreasing by 25% each payment year until it is completely phased out in the fifth year.

MHP recognizes EHR incentives as revenue when there is reasonable assurance that MHP will comply with the conditions of the meaningful use objectives and any other specific contract requirements. In addition, the consolidated financial statement effects of the revenue must be both recognizable and measurable. During 2016 and 2015, MHP recognized approximately \$9,000 and \$114,000, respectively, in EHR incentive payments as other revenue using the ratable recognition method. Under the ratable recognition method, MHP recognizes revenue ratably over the entire EHR reporting period when it is reasonably assured at the outset of the EHR reporting period that it will comply with the minimum requirements of the program.

EHR incentive revenue is included in other revenue in the consolidated statements of revenues, expenses and changes in net position. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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Receipt of these funds is subject to the fulfillment of certain obligations by MHP as prescribed by the programs, subject to future audits and may be subject to repayment upon a determination of noncompliance.

#### Litigation

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

#### Risk Management

MHP 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 and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

#### Subsequent Events

MHP evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is April 24, 2017.

## **2. CHANGE IN ACCOUNTING PRINCIPLES**

During 2016, MHP implemented GASB Statement No. 72 *Fair Value Measurement and Application*. This statement addressed accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact to these consolidated financial statement disclosures as a result of adoption of this standard as these disclosures have been provided historically.

During 2016, MHP implemented GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addressed the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact to these consolidated financial statement disclosures as a result of adoption of this standard.

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### 3. NET PATIENT SERVICE REVENUE

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

#### Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment with the exception of a few select items, such as bad debts.

MHP's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization which is under contract with MHP to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

#### Medicaid

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

MHP is eligible for the Indiana Medicaid Supplemental programs including Medicaid Disproportionate Share Hospital and Municipal Upper Payment Limit programs. MHP recognized reimbursement from these programs within net patient revenue of approximately \$2,400,000 and \$3,500,000 for 2016 and 2015, respectively. These programs are Federal programs administered by the State of Indiana.

The Hospital participates in the Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the consolidated statements of revenues, expenses and changes in net position. Previously, the State's share was funded by governmental entities through intergovernmental transfers.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2016 and 2015, MHP recognized HAF Program expense of approximately \$2,700,000 and \$2,100,000, respectively. The Medicaid rate increases under the HAF Program are included in net patient service revenue in the consolidated statements of revenues, expenses and changes in net position.

#### Other Payors

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

The following is a summary of net patient service revenue for 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Patient service revenue		
Inpatient	\$ 74,848,349	\$ 68,837,134
Outpatient	261,926,969	236,237,037
Long-term care	<u>227,708,786</u>	<u>233,348,217</u>
Gross patient service revenue	564,484,104	538,422,388
Deductions from revenue		
Contractual allowances	151,544,700	127,834,228
Charity care	2,827,465	5,124,084
Bad debts	<u>6,446,547</u>	<u>7,828,799</u>
Total deductions from revenue	<u>160,818,712</u>	<u>140,787,111</u>
Net patient service revenue	<u>\$ 403,665,392</u>	<u>\$ 397,635,277</u>

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### 4. ASSETS WHOSE USE IS LIMITED

The classification "Assets whose use is limited" includes:

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

Held by trustee for construction – Amounts deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for capital.

Restricted – Amounts designated by outside parties for other specific purposes. Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets.

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

	2016	2015
Internally designated		
Cash and cash equivalents	\$ 57,483,524	\$ 55,137,477
Certificates of deposit	1,077,633	1,077,633
US Government securities	39,976,057	45,719,992
Mutual funds	26,340,330	27,992,638
Corporate equity securities	2,019,039	1,940,191
Corporate debt securities	587,229	467,248
Total internally designated	<u>127,483,812</u>	<u>132,335,179</u>
Held by trustee for construction		
Money market mutual funds	876,557	13,209,878
Donor restricted		
Cash and cash equivalents	105,282	57,554
US Government securities	125,159	66,800
Mutual funds	525,369	237,544
Corporate equity securities	1,697,392	670,604
Corporate debt securities	493,679	161,499
Total donor restricted	<u>2,946,881</u>	<u>1,194,001</u>
Total assets whose use is limited	<u>\$ 131,307,250</u>	<u>\$ 146,739,058</u>

The corporate debt and equity securities are owned by the Foundation.

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 5. DEPOSITS AND INVESTMENTS

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

Investments are carried at fair market value except for certificates of deposit and money market deposit funds which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

MHP's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2016 and 2015, MHP had the following investments and maturities, all of which were held in MHP's name by custodial banks that are agents of MHP:

December 31, 2016					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	\$ 40,101,216	\$ 154,009	\$ 16,899,150	\$ 6,980,489	\$ 16,067,568
Certificates of deposit	1,077,633	1,077,633	-0-	-0-	-0-
Mutual funds	26,865,699	26,865,699	-0-	-0-	-0-
Money market mutual funds	876,557	876,557	-0-	-0-	-0-
Corporate equity securities	3,716,431	3,716,431	-0-	-0-	-0-
Corporate debt securities	1,080,908	4,033	665,961	322,838	88,076
	\$ 73,718,444	\$ 32,694,362	\$ 17,565,111	\$ 7,303,327	\$ 16,155,644

  

December 31, 2015					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	\$ 45,786,792	\$ 548,186	\$ 29,324,224	\$ 4,856,127	\$ 11,058,255
Certificates of deposit	1,077,633	1,077,633	-0-	-0-	-0-
Mutual funds	28,230,182	28,230,182	-0-	-0-	-0-
Money market mutual funds	13,209,878	13,209,878	-0-	-0-	-0-
Corporate equity securities	2,610,795	2,610,795	-0-	-0-	-0-
Corporate debt securities	628,747	-0-	425,247	151,383	52,117
	\$ 91,544,027	\$ 45,676,674	\$ 29,749,471	\$ 5,007,510	\$ 11,110,372

*Interest rate risk* - MHP does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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

*Concentration of credit risk* – MHP places no limit on the amount it may invest in any one issuer. MHP maintains its investments, which at times may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes that it is not exposed to any significant credit risk on investments. MHP does not have a formal policy for credit and concentration risk.

Deposits and investments consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Carrying amount		
Deposits	\$ 76,253,644	\$ 74,173,762
Investments	73,718,444	91,544,027
	<u>\$ 149,972,088</u>	<u>\$ 165,717,789</u>
Included in the balance sheet captions		
Cash	\$ 18,664,838	\$ 18,978,731
Internally designated	127,483,812	132,335,179
Held by trustee for construction	876,557	13,209,878
Restricted funds	2,946,881	1,194,001
	<u>\$ 149,972,088</u>	<u>\$ 165,717,789</u>

## 6. FAIR VALUE MEASUREMENTS

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

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

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

- *Money market mutual funds*: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *U.S. government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by MHP are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by MHP are deemed to be actively traded.
- *Corporate equity securities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate debt securities*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

MHP's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2016 and 2015.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

The following table sets forth by level, within the hierarchy, MHP's assets and liabilities measured at fair value on a recurring basis as of December 31, 2016.

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Assets whose use is limited				
Money market mutual funds	\$ 876,557	\$ -0-	\$ 876,557	\$ -0-
US Government securities				
US treasury notes	17,712,493	17,712,493	-0-	-0-
Federal home loan bank	4,682,961	-0-	4,682,961	-0-
Mortgage backed securities	17,705,762	-0-	17,705,762	-0-
Total US Government securities	40,101,216	17,712,493	22,388,723	-0-
Mutual funds				
Fixed income	6,398,754	6,398,754	-0-	-0-
Large cap blended	10,025,277	10,025,277	-0-	-0-
Small cap blended	4,929,907	4,929,907	-0-	-0-
Large cap growth	279,022	279,022	-0-	-0-
Mid cap blended	4,469,954	4,469,954	-0-	-0-
Other	762,785	762,785	-0-	-0-
Total mutual funds	26,865,699	26,865,699	-0-	-0-
Corporate equity securities				
Consumer	490,393	490,393	-0-	-0-
Finance	498,961	498,961	-0-	-0-
Healthcare	457,784	457,784	-0-	-0-
Services	381,635	381,635	-0-	-0-
Technology	543,499	543,499	-0-	-0-
Other	1,344,159	1,344,159	-0-	-0-
Total corporate equity securities	3,716,431	3,716,431	-0-	-0-
Corporate debt securities				
Financial services	458,696	-0-	458,696	-0-
Other	622,212	-0-	622,212	-0-
Total corporate debt securities	1,080,908	-0-	1,080,908	-0-
	72,640,811	\$ 48,294,623	\$ 24,346,188	\$ -0-
Cash and cash equivalents	57,588,806			
Certificates of deposit	1,077,633			
Total assets whose use is limited	<u>\$ 131,307,250</u>			

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Assets whose use is limited				
Money market mutual funds	\$ 13,209,878	\$ -0-	\$ 13,209,878	\$ -0-
US Government securities				
US treasury notes	23,128,302	23,128,302	-0-	-0-
Federal home loan bank	10,374,140	-0-	10,374,140	-0-
Mortgage backed securities	12,284,350	-0-	12,284,350	-0-
Total US Government securities	<u>45,786,792</u>	<u>23,128,302</u>	<u>22,658,490</u>	<u>-0-</u>
Mutual funds				
Fixed income	6,451,183	6,451,183	-0-	-0-
Large cap blended	10,182,925	10,182,925	-0-	-0-
Small cap blended	3,007,518	3,007,518	-0-	-0-
Large cap growth	2,719,994	2,719,994	-0-	-0-
Mid cap blended	5,489,936	5,489,936	-0-	-0-
Other	378,626	378,626	-0-	-0-
Total mutual funds	<u>28,230,182</u>	<u>28,230,182</u>	<u>-0-</u>	<u>-0-</u>
Corporate equity securities				
Consumer	328,560	328,560	-0-	-0-
Finance	368,844	368,844	-0-	-0-
Healthcare	327,234	327,234	-0-	-0-
Services	340,125	340,125	-0-	-0-
Technology	402,209	402,209	-0-	-0-
Other	843,823	843,823	-0-	-0-
Total corporate equity securities	<u>2,610,795</u>	<u>2,610,795</u>	<u>-0-</u>	<u>-0-</u>
Corporate debt securities				
Financial services	279,877	-0-	279,877	-0-
Other	348,870	-0-	348,870	-0-
Total corporate debt securities	<u>628,747</u>	<u>-0-</u>	<u>628,747</u>	<u>-0-</u>
	90,466,394	<u>\$ 53,969,279</u>	<u>\$ 36,497,115</u>	<u>\$ -0-</u>
Cash and cash equivalents	55,195,031			
Certificates of deposit	1,077,633			
Total assets whose use is limited	<u>\$ 146,739,058</u>			

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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

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

Long-term debt: The carrying value of MHP's variable rate revenue bonds approximates fair value based upon current traded value. The fair value of MHP's fixed rate revenue bonds approximated \$55,925,000 as of December 31, 2016 based on current traded value. The carrying value of loans payable and capital lease obligations approximates fair value based on current fixed rates available to similar entities with similar credit ratings.

#### 7. RESTRICTED NON-EXPENDABLE NET POSITION

MHP, through the Foundation and noncontrolling interest, has restricted non-expendable net position. Unless a contributor provides specific instructions, the Foundation's governing board is permitted to expend the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the governing board is required to consider the Foundation's and supported organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor. The Foundation's governing board chooses to spend the investment income (including changes in the value of investments) under the established investment policy.

Restricted non-expendable net position as of December 31, 2016 and 2015, represent the principal amounts of permanent endowments, restricted to investment in perpetuity, as well as the noncontrolling interest. Investment earnings from the Foundation's permanent endowments are expendable to support the programs as established by the contributors.

The following is a summary of the restricted non-expendable net position as of December 31, 2016 and 2015:

	2016	2015
Compton endowment	\$ 521,714	\$ 521,714
McFadden endowment	333,133	333,133
Benessee endowment	877,664	-0-
Una Vie endowment	877,664	-0-
Noncontrolling interest	316,474	529,198
	<u>\$ 2,926,649</u>	<u>\$ 1,384,045</u>

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

The following table depicts the changes in consolidated net position attributable to the controlling financial interest of MHP and the noncontrolling interest.

	Controlling interest	Noncontrolling interest	Total
Balance, December 31, 2014	\$ 136,017,403	\$ (111,033)	\$ 135,906,370
Excess (deficit) of revenues over expenses	29,622,889	(2,046,336)	27,576,553
Transfers from noncontrolling interest	-0-	2,686,567	2,686,567
Balance, December 31, 2015	165,640,292	529,198	166,169,490
Excess (deficit) of revenues over expenses	34,652,330	(2,587,578)	32,064,752
Transfers from noncontrolling interest	-0-	2,374,854	2,374,854
Change in net position	34,652,330	(212,724)	34,439,606
Balance, December 31, 2016	<u>\$ 200,292,622</u>	<u>\$ 316,474</u>	<u>\$ 200,609,096</u>

## 8. CAPITAL ASSETS

### Capital Assets, Net

A summary of property and equipment, including assets under capital leases for 2016 and 2015 follows:

	December 31, 2015	Additions	Disposals	Transfers	December 31, 2016
Land and land improvements	\$ 8,436,964	\$ 96,163	\$ -0-	\$ -0-	\$ 8,533,127
Leasehold improvements	6,069,456	1,032,072	-0-	-0-	7,101,528
Buildings and improvements	39,392,657	10,116	-0-	3,177,045	42,579,818
Equipment	36,144,014	3,998,379	(958,251)	1,909,824	41,093,966
Construction in progress	50,468,863	53,983,529	-0-	(5,086,869)	99,365,523
Total property and equipment	140,511,954	59,120,259	(958,251)	-0-	198,673,962
Less accumulated depreciation					
Land improvements	2,121,601	318,521	-0-	-0-	2,440,122
Leasehold improvements	903,250	109,313	-0-	-0-	1,012,563
Buildings and improvements	22,929,400	2,629,114	-0-	-0-	25,558,514
Equipment	28,088,182	3,649,994	(935,441)	-0-	30,802,735
Total accumulated depreciation	54,042,433	6,706,942	(935,441)	-0-	59,813,934
Capital assets, net	<u>\$ 86,469,521</u>	<u>\$ 52,413,317</u>	<u>\$ (22,810)</u>	<u>\$ -0-</u>	<u>\$ 138,860,028</u>

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

	December 31, 2014	Additions	Disposals	Transfers	December 31, 2015
Land and land improvements	\$ 8,485,889	\$ 158,860	\$ (213,470)	\$ 5,685	\$ 8,436,964
Leasehold improvements	4,441,242	2,047,342	(419,128)	-0-	6,069,456
Buildings and improvements	49,854,703	29,517	(10,500,206)	8,643	39,392,657
Equipment	39,458,655	3,245,025	(6,553,981)	(5,685)	36,144,014
Construction in progress	5,056,023	45,450,954	(29,471)	(8,643)	50,468,863
Total property and equipment	<u>107,296,512</u>	<u>50,931,698</u>	<u>(17,716,256)</u>	<u>-0-</u>	<u>140,511,954</u>
Less accumulated depreciation					
Land improvements	2,125,318	249,234	(247,159)	(5,792)	2,121,601
Leasehold improvements	1,089,390	113,829	(299,969)	-0-	903,250
Buildings and improvements	30,444,625	2,922,445	(10,437,670)	-0-	22,929,400
Equipment	30,557,987	4,038,019	(6,513,616)	5,792	28,088,182
Total accumulated depreciation	<u>64,217,320</u>	<u>7,323,527</u>	<u>(17,498,414)</u>	<u>-0-</u>	<u>54,042,433</u>
Capital assets, net	<u>\$ 43,079,192</u>	<u>\$43,608,171</u>	<u>\$ (217,842)</u>	<u>\$ -0-</u>	<u>\$ 86,469,521</u>

As of December 31, 2016, MHP had a remaining commitment of approximately \$5,000,000 primarily related to the construction of a replacement acute care hospital.

#### Property Held for Investment

MHP currently holds approximately 40 acres of land available for sale. The land is located in the Intelliplex Park where the Hospital's Cancer Center is located. The land is valued at cost plus improvements and will be sold in lots in varying size. Land held for investment is included within the property held for investment section of the consolidated balance sheets. During 2015, a portion of the land was sold.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### 9. LONG TERM DEBT

A summary of long term debt as of December 31, 2016 is as follows:

- Indiana Finance Authority Hospital Revenue Bonds, Series 2009 in the original aggregate principal amount of \$30,000,000, were issued during 2009, to finance or refinance various health care facilities. On June 23, 2009, a financial institution purchased from the Indiana Finance Authority all of the Series 2009 Bonds in a private placement. On December 5, 2014, the Series 2009 Bonds were assigned to another financial institution. The Series 2009 Bonds bear interest at a variable rate, adjusted monthly, equal to the lesser of (a) 12% per annum or (b) a rate equal to the sum of (i) 67% of one month LIBOR plus (ii) 0.98% (rate as of December 31, 2016 – 1.494%). The Series 2009 Bonds may be, at the option of the Hospital, converted to another interest rate mode and remarketed to another bondholder or holders. The Series 2009 Bonds are subject to mandatory tender and purchase on December 1, 2024 (Tender Date). If the Series 2009 Bonds cannot be remarketed on the Tender Date, the Hospital would be required to purchase the Series 2009 Bonds at a price equal to the remaining principal amount of the Series 2009 Bonds. The Series 2009 Bonds are secured by certain revenues of the Hospital which approximated \$100,000,000. The Series 2009 Bonds mature in monthly installments through December 1, 2024, interest only payments beginning January 1, 2025 through December 1, 2033, and a principal balloon payment on December 1, 2034 (final maturity).
- Indiana Finance Authority Hospital Revenue Bonds, Series 2014A, in the original principal amount of \$53,505,000, were issued during 2014 for construction of a replacement acute care hospital. The Series 2014A Bonds bear fixed interest at rates ranging from 3.50% to 5.00%, payable semiannually on April 1 and October 1 of each year. Principal payments due in annual installments on October 1 of each year, from October 1, 2017, through October 1, 2044 (final maturity). The Series 2014A Bonds are secured by certain revenues of the Hospital similar to the Series 2009 Bonds, as well as a mortgage on certain real estate, building and improvements comprising the replacement acute care hospital. The net book value of this collateral as of December 31, 2016 approximated \$200,000,000.
- Loan payable with an original amount of \$628,000 with an unrelated third party is due in monthly installments of \$5,900 through 2022 at a fixed interest rate of 7.7% and is unsecured. This loan was paid in full during 2016.

The revenue bonds require the Hospital to maintain certain financial ratios. As of December 31, 2016, the Hospital was in compliance with the financial ratios.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

The following is a progression for long term debt for 2016 and 2015:

	December 31, 2015	Additional Borrowings	Payments	December 31, 2016	Current Portion
Revenue bonds					
2009 Bonds	\$ 24,722,408	\$ -0-	\$ (1,023,184)	\$ 23,699,224	\$ 1,143,284
2014A Bonds	53,505,000	-0-	-0-	53,505,000	1,000,000
Loans payable					
Loans payable	341,602	-0-	(341,602)	-0-	-0-
	78,569,010	\$ -0-	\$ (1,364,786)	77,204,224	\$ 2,143,284
Unamortized bond premium	2,241,311			2,163,352	
Total long term debt	<u>\$ 80,810,321</u>			<u>\$ 79,367,576</u>	
	December 31, 2014	Additional Borrowings	Payments	December 31, 2015	Current Portion
Revenue bonds					
2009 Bonds	\$ 25,715,927	\$ -0-	\$ (993,519)	\$ 24,722,408	\$ 1,020,480
2014A Bonds	53,505,000	-0-	-0-	53,505,000	-0-
Loans payable					
Loans payable	384,297	-0-	(42,695)	341,602	46,101
	79,605,224	\$ -0-	\$ (1,036,214)	78,569,010	\$ 1,066,581
Unamortized bond premium	2,319,269			2,241,311	
Total long term debt	<u>\$ 81,924,493</u>			<u>\$ 80,810,321</u>	

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Scheduled principal and interest repayments on long term debt and payments on capital lease obligations for the years succeeding December 31, 2016 are as follows:

Years Ending December 31,	Principal	Interest	Total Payments
2017	\$ 2,143,284	\$ 2,754,378	\$ 4,897,662
2018	2,124,272	2,701,845	4,826,117
2019	2,202,248	2,643,932	4,846,180
2020	2,275,620	2,590,632	4,866,252
2021	2,356,788	2,531,914	4,888,702
2022-2026	10,494,184	11,738,024	22,232,208
2027-2031	8,335,000	10,067,617	18,402,617
2032-2036	24,775,928	7,522,186	32,298,114
2037-2041	13,125,000	4,420,000	17,545,000
2042-2044	9,371,900	970,500	10,342,400
	<u>\$ 77,204,224</u>	<u>\$ 47,941,028</u>	<u>\$ 125,145,252</u>

#### 10. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities as of December 31, 2016 and 2015 is as follows:

	2016	2015
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 15,982,848	\$ 19,202,455
Receivable from Medicare	9,767,296	9,001,151
Receivable from Medicaid	3,847,723	1,800,230
Receivables related to long-term care operations	44,452,481	38,561,578
Total patient accounts receivable	74,050,348	68,565,414
Less contractual allowances	(16,760,654)	(16,141,151)
Less allowance for uncollectible amounts	(12,852,152)	(9,481,361)
Patient accounts receivable, net	\$ 44,437,542	\$ 42,942,902
Accounts payable and accrued expenses		
Payable to employees (including payroll taxes and benefits)	\$ 11,105,400	\$ 9,600,208
Payable to suppliers and other accrued expenses	81,814,293	81,798,588
Total accounts payable and accrued expenses	\$ 92,919,693	\$ 91,398,796

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### 11. PENSION PLAN

##### Plan Description

MHP has a defined contribution pension plan as authorized by IC 16-22-3-11. The plan is administered by MHP and provides retirement, disability and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report is available by contacting MHP's accounting department.

##### Funding Policy

The contribution requirements of plan members are established by the written agreement between MHP's Board of Trustees and the plan administrator. The current employer contribution rate is 7% of annual covered payroll. Employer contributions to the plan for 2016 and 2015 were approximately \$2,512,000 and \$2,470,000, respectively. Employees are not permitted to contribute to the plan.

#### 12. CONCENTRATIONS OF CREDIT RISK

MHP is located in Shelbyville, Indiana. MHP grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Concentrations of acute care accounts receivable and gross revenue from patients and third party payors are as follows as of December 31:

	<u>Receivables</u>		<u>Revenues</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Medicare	33%	30%	43%	44%
Medicaid	13%	6%	20%	21%
Anthem	17%	18%	15%	14%
Other third party payors	25%	31%	18%	16%
Self-pay	12%	15%	4%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Substantially all of the patient accounts receivables and related revenues from long-term care operations are concentrated in Medicare and Medicaid.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### 13. ESTIMATED MALPRACTICE COSTS

The Indiana Medical Malpractice Act, IC 27-12 (the Act), provides a recovery for an occurrence of malpractice and for any injury or death of a patient due to an act of malpractice in excess of certain thresholds. The Act provides for a maximum recovery of \$1,250,000 per occurrence (\$7,500,000 annual aggregate) with the first \$250,000 covered by MHP's insurance and the remainder by the State of Indiana Patient Compensation Fund. The Act requires MHP to maintain medical malpractice liability insurance on a per occurrence basis and in the annual aggregate for amounts below the thresholds of the Act. Management is not aware of any related material adverse effects to its financial position, results from operations, and cash flows. Changes to the Act have been made and will be effective for claims commencing July 1, 2017. The changes increase the maximum recovery to \$1,650,000 with the healthcare provider responsible for the first \$400,000.

#### 14. RISK MANAGEMENT

##### Medical Benefits to Employees and Dependents

MHP is self-funded for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of \$200,000 per year. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Self-funded health insurance and related expenses were approximately \$9,434,000 and \$6,322,000 in 2016 and 2015, respectively.

A progression of unpaid claims for 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of year	\$ 1,495,000	\$ 1,495,000
Incurred claims and changes in estimates	9,434,339	6,321,919
Claim payments	<u>(9,224,339)</u>	<u>(6,321,919)</u>
Unpaid claims, end of year	<u>\$ 1,705,000</u>	<u>\$ 1,495,000</u>

#### 15. RENTAL EXPENSE

MHP has leases expiring at various times through 2017. Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating as incurred. The majority of the leases are cancellable. Total rent expense for both 2016 and 2015 was approximately \$30,000,000.

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### 16. COMMITMENTS AND CONTINGENCIES

The Shelby County Council and City of Shelbyville Common Council each passed an ordinance pledging a portion of their share of economic development income tax (EDIT) for the purpose of land acquisition, construction and installation of public infrastructure improvements at the Shelbyville/Shelby County Advanced Technological Industrial Park. Shelby County, the City of Shelbyville, and the Hospital (a component unit of Shelby County) share administrative and financial responsibility for this project. The County and City have each pledged \$125,000 each calendar year through 2028 (or such earlier date as all outstanding bonds issued to finance or refinance the projects are defeased). The Hospital recognizes the amounts as revenue when received. A schedule of expected payments is as follows:

Years Ending December 31,	
2017	\$ 250,000
2018	250,000
2019	250,000
2020	250,000
2021	250,000
Thereafter	1,750,000
	<u>\$ 3,000,000</u>

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 17. BLENDED COMPONENT UNITS

MHP's consolidated financial statements include the accounts of its blended component units. Below is condensed financial information of the blended component units.

	2016		
	MedWorks	Foundation	Total
<b>Assets</b>			
Current assets	\$ 5,848,217	\$ 622,425	\$ 6,470,642
Capital assets	1,242,265	26,487	1,268,752
Due from Hospital	32,747	78,089	110,836
Other assets	1,786,901	6,966,521	8,753,422
Total assets	<u>\$ 8,910,130</u>	<u>\$ 7,693,522</u>	<u>\$ 16,603,652</u>
<b>Liabilities</b>			
Due to Hospital	\$ 626,533	\$ 4,500	\$ 631,033
Other liabilities	4,125,209	10,153	4,135,362
Total liabilities	<u>4,751,742</u>	<u>14,653</u>	<u>4,766,395</u>
<b>Net position</b>			
Net investment in capital assets	1,242,265	26,487	1,268,752
Restricted	316,474	2,946,881	3,263,355
Unrestricted	2,599,649	4,705,501	7,305,150
Total net position	<u>4,158,388</u>	<u>7,678,869</u>	<u>11,837,257</u>
Total liabilities and net position	<u>\$ 8,910,130</u>	<u>\$ 7,693,522</u>	<u>\$ 16,603,652</u>
<b>Revenues</b>			
Net patient service revenue	\$ 20,391,434	\$ -0-	\$ 20,391,434
Other	48,867	2,478,455	2,527,322
Total revenues	<u>20,440,301</u>	<u>2,478,455</u>	<u>22,918,756</u>
<b>Expenses</b>			
Depreciation	240,006	5,155	245,161
Other expenses	30,730,764	1,415,385	32,146,149
Total expenses	<u>30,970,770</u>	<u>1,420,540</u>	<u>32,391,310</u>
Operating income (loss)	(10,530,469)	1,057,915	(9,472,554)
Nonoperating revenues (expenses)	<u>301,870</u>	<u>367,806</u>	<u>669,676</u>
Excess (deficit) revenues over expenses	(10,228,599)	1,425,721	(8,802,878)
Transfers	<u>9,924,846</u>	<u>-0-</u>	<u>9,924,846</u>
Change in net position	(303,753)	1,425,721	1,121,968
<b>Net position</b>			
Beginning of year	4,462,141	6,253,148	10,715,289
End of year	<u>\$ 4,158,388</u>	<u>\$ 7,678,869</u>	<u>\$ 11,837,257</u>
<b>Net cash flows from</b>			
Operating activities	\$ (10,290,463)	\$ 1,063,070	\$ (9,227,393)
Capital and related financing activities	9,924,846	(89,864)	9,834,982
Investing activities	(81,178)	(1,241,304)	(1,322,482)
Total	<u>(446,795)</u>	<u>(268,098)</u>	<u>(714,893)</u>
<b>Cash and cash equivalents</b>			
Beginning of year	4,105,298	452,678	4,557,976
End of year	<u>\$ 3,658,503</u>	<u>\$ 184,580</u>	<u>\$ 3,843,083</u>

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

	2015				
	MAI	MedWorks	Foundation	MDSolutions	Total
<b>Assets</b>					
Current assets	\$ -0-	\$ 6,428,937	\$ 390,165	\$ -0-	\$ 6,819,102
Capital assets	-0-	1,346,318	10,340	-0-	1,356,658
Due from Hospital	-0-	30,375	11,277	-0-	41,652
Other assets	-0-	1,526,671	5,862,279	-0-	7,388,950
Total assets	<u>\$ -0-</u>	<u>\$ 9,332,301</u>	<u>\$ 6,274,061</u>	<u>\$ -0-</u>	<u>\$ 15,606,362</u>
<b>Liabilities</b>					
Long-term debt	\$ -0-	\$ 295,501	\$ -0-	\$ -0-	\$ 295,501
Due to Hospital	-0-	926,793	13,170	-0-	939,963
Other liabilities	-0-	3,647,866	7,743	-0-	3,655,609
Total liabilities	<u>-0-</u>	<u>4,870,160</u>	<u>20,913</u>	<u>-0-</u>	<u>4,891,073</u>
<b>Net position</b>					
Net investment in capital assets	-0-	1,004,716	10,340	-0-	1,015,056
Restricted	-0-	529,198	1,194,001	-0-	1,723,199
Unrestricted	-0-	2,928,227	5,048,807	-0-	7,977,034
Total net position	<u>-0-</u>	<u>4,462,141</u>	<u>6,253,148</u>	<u>-0-</u>	<u>10,715,289</u>
Total liabilities and net position	<u>\$ -0-</u>	<u>\$ 9,332,301</u>	<u>\$ 6,274,061</u>	<u>\$ -0-</u>	<u>\$ 15,606,362</u>
<b>Revenues</b>					
Net patient service revenue	\$ 21,258,364	\$ -0-	\$ -0-	\$ -0-	\$ 21,258,364
Other	818,960	-0-	1,468,463	1,075,796	3,363,219
Total revenues	<u>22,077,324</u>	<u>-0-</u>	<u>1,468,463</u>	<u>1,075,796</u>	<u>24,621,583</u>
<b>Expenses</b>					
Depreciation	911,483	-0-	6,804	364	918,651
Other expenses	29,941,322	-0-	562,726	840,967	31,345,015
Total expenses	<u>30,852,805</u>	<u>-0-</u>	<u>569,530</u>	<u>841,331</u>	<u>32,263,666</u>
Operating income (loss)	(8,775,481)	-0-	898,933	234,465	(7,642,083)
Nonoperating revenues (expenses)	912,795	-0-	(78,634)	25,660	859,821
Excess (deficit) revenues over expenses	(7,862,686)	-0-	820,299	260,125	(6,782,262)
Transfers	(4,017,894)	4,462,141	-0-	(1,406,326)	(962,079)
Change in net position	(11,880,580)	4,462,141	820,299	(1,146,201)	(7,744,341)
<b>Net position</b>					
Beginning of year	11,880,580	-0-	5,432,849	1,146,201	18,459,630
End of year	<u>\$ -0-</u>	<u>\$ 4,462,141</u>	<u>\$ 6,253,148</u>	<u>\$ -0-</u>	<u>\$ 10,715,289</u>
<b>Net cash flows from</b>					
Operating activities	\$ (12,136,520)	\$ -0-	\$ 905,737	\$ (26,506)	\$ (11,257,289)
Capital and related financing activities	8,432,610	4,105,298	(614,047)	(1,406,326)	10,517,535
Investing activities	(650,311)	-0-	(273,195)	-0-	(923,506)
Total	<u>(4,354,221)</u>	<u>4,105,298</u>	<u>18,495</u>	<u>(1,432,832)</u>	<u>(1,663,260)</u>
<b>Cash</b>					
Beginning of year	4,354,221	-0-	434,183	1,432,832	6,221,236
End of year	<u>\$ -0-</u>	<u>\$ 4,105,298</u>	<u>\$ 452,678</u>	<u>\$ -0-</u>	<u>\$ 4,557,976</u>

The separate financial statements for each of the entities discussed above may be obtained through contacting management of MHP.

**SUPPLEMENTARY INFORMATION**

## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2016

<b>ASSETS</b>	Hospital	MedWorks	Foundation	Eliminations	Total
<b>Current assets</b>					
Cash and cash equivalents	\$ 15,006,335	\$ 3,658,503	\$ -0-	\$ -0-	\$ 18,664,838
Patient accounts receivable, net	43,266,195	1,171,347	-0-	-0-	44,437,542
Inventory and other current assets	37,876,835	1,018,367	622,425	(646,227)	38,871,400
Current portion of assets whose use is limited	2,143,284	-0-	-0-	-0-	2,143,284
Total current assets	98,292,649	5,848,217	622,425	(646,227)	104,117,064
<b>Assets whose use is limited</b>					
Internally designated	123,793,932	-0-	3,689,880	-0-	127,483,812
Held by trustee for construction	876,557	-0-	-0-	-0-	876,557
Donor restricted funds	-0-	-0-	2,946,881	-0-	2,946,881
Total assets whose use is limited	124,670,489	-0-	6,636,761	-0-	131,307,250
Less current portion	2,143,284	-0-	-0-	-0-	2,143,284
Noncurrent assets whose use is limited	122,527,205	-0-	6,636,761	-0-	129,163,966
<b>Capital assets, net</b>	137,591,276	1,242,265	26,487	-0-	138,860,028
<b>Property held for sale</b>	1,926,460	-0-	-0-	-0-	1,926,460
<b>Other assets</b>	1,129,459	1,819,648	407,849	-0-	3,356,956
Total assets	\$ 361,467,049	\$ 8,910,130	\$ 7,693,522	\$ (646,227)	\$ 377,424,474

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## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2016

<b>LIABILITIES AND NET POSITION</b>	Hospital	MedWorks	Foundation	Eliminations	Total
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 81,481,197	\$ 968,696	\$ 10,627	\$ (646,227)	\$ 81,814,293
Accrued wages and related liabilities	8,496,437	2,604,937	4,026	-0-	11,105,400
Estimated third-party settlements	3,350,000	-0-	-0-	-0-	3,350,000
Current portion of long-term debt					
Revenue bonds payable	2,143,284	-0-	-0-	-0-	2,143,284
Total current liabilities	95,470,918	3,573,633	14,653	(646,227)	98,412,977
<b>Other liabilities</b>	-0-	1,178,109	-0-	-0-	1,178,109
<b>Long term debt, net of current portion</b>					
Revenue bonds payable	77,224,292	-0-	-0-	-0-	77,224,292
Total long term debt	77,224,292	-0-	-0-	-0-	77,224,292
Total liabilities	172,695,210	4,751,742	14,653	(646,227)	176,815,378
<b>Net position</b>					
Net investment in capital assets	59,100,257	1,242,265	26,487	-0-	60,369,009
Restricted					
Expendable - other specific purpose	-0-	-0-	336,706	-0-	336,706
Non-expendable	-0-	316,474	2,610,175	-0-	2,926,649
Total restricted net position	-0-	316,474	2,946,881	-0-	3,263,355
Unrestricted	129,671,582	2,599,649	4,705,501	-0-	136,976,732
Total net position	188,771,839	4,158,388	7,678,869	-0-	200,609,096
Total liabilities and net position	\$ 361,467,049	\$ 8,910,130	\$ 7,693,522	\$ (646,227)	\$ 377,424,474

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## MAJOR HEALTH PARTNERS

### CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2016

	Hospital	MedWorks	Foundation	Eliminations	Total
<b>Revenue</b>					
Net patient service revenue	\$ 384,232,653	\$ 20,391,434	\$ -0-	\$ (958,695)	\$ 403,665,392
Other	3,947,106	48,867	2,478,455	(2,457,612)	4,016,816
Total revenue	<u>388,179,759</u>	<u>20,440,301</u>	<u>2,478,455</u>	<u>(3,416,307)</u>	<u>407,682,208</u>
<b>Expenses</b>					
Salaries and wages	42,249,896	17,448,835	130,114	(381,707)	59,447,138
Employee benefits	12,967,909	4,855,184	9,349	-0-	17,832,442
Medical professional fees	3,998,495	-0-	-0-	-0-	3,998,495
Supplies	15,495,701	4,021,156	-0-	(834,518)	18,682,339
Purchased services	231,159,428	1,529,710	-0-	(1,644,686)	231,044,452
Rent and maintenance	32,671,751	1,204,554	-0-	(198,275)	33,678,030
Utilities	1,436,258	180,718	-0-	-0-	1,616,976
Insurance	554,676	693,618	-0-	-0-	1,248,294
Depreciation and amortization	6,714,889	240,006	5,155	-0-	6,960,050
Hospital assessment fee	2,653,871	-0-	-0-	-0-	2,653,871
Other expenses	2,696,098	796,989	1,275,922	(1,157,121)	3,611,888
Total expenses	<u>352,598,972</u>	<u>30,970,770</u>	<u>1,420,540</u>	<u>(4,216,307)</u>	<u>380,773,975</u>
Operating income (loss)	35,580,787	(10,530,469)	1,057,915	800,000	26,908,233
<b>Nonoperating revenues (expenses)</b>					
Investment income	4,555,460	-0-	367,806	-0-	4,923,266
Interest expense	(323,307)	(10,720)	-0-	-0-	(334,027)
Other nonoperating revenues (expenses)	1,054,690	312,590	-0-	(800,000)	567,280
Nonoperating revenues (expenses), net	<u>5,286,843</u>	<u>301,870</u>	<u>367,806</u>	<u>(800,000)</u>	<u>5,156,519</u>
Revenues over (under) expenses	40,867,630	(10,228,599)	1,425,721	-0-	32,064,752
<b>Transfers (to) from</b>	<u>(7,549,992)</u>	<u>9,924,846</u>	<u>-0-</u>	<u>-0-</u>	<u>2,374,854</u>
Change in net position	33,317,638	(303,753)	1,425,721	-0-	34,439,606
<b>Net position</b>					
Beginning of year	155,454,201	4,462,141	6,253,148	-0-	166,169,490
End of year	<u>\$ 188,771,839</u>	<u>\$ 4,158,388</u>	<u>\$ 7,678,869</u>	<u>\$ -0-</u>	<u>\$ 200,609,096</u>

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## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2015

<b>ASSETS</b>	Hospital	MedWorks	Foundation	Eliminations	Total
<b>Current assets</b>					
Cash and cash equivalents	\$ 14,873,433	\$ 4,105,298	\$ -0-	\$ -0-	\$ 18,978,731
Patient accounts receivable, net	41,604,880	1,338,022	-0-	-0-	42,942,902
Inventory and other current assets	41,743,206	985,617	390,165	(938,889)	42,180,099
Current portion of assets whose use is limited	1,020,480	-0-	-0-	-0-	1,020,480
Total current assets	99,241,999	6,428,937	390,165	(938,889)	105,122,212
<b>Assets whose use is limited</b>					
Internally designated	128,428,020	-0-	3,907,159	-0-	132,335,179
Held by trustee for construction	13,209,878	-0-	-0-	-0-	13,209,878
Donor restricted funds	-0-	-0-	1,194,001	-0-	1,194,001
Total assets whose use is limited	141,637,898	-0-	5,101,160	-0-	146,739,058
Less current portion	1,020,480	-0-	-0-	-0-	1,020,480
Noncurrent assets whose use is limited	140,617,418	-0-	5,101,160	-0-	145,718,578
<b>Capital assets, net</b>	85,112,863	1,346,318	10,340	-0-	86,469,521
<b>Property held for sale</b>	1,926,460	-0-	-0-	-0-	1,926,460
<b>Other assets</b>	1,343,015	1,557,046	772,396.0	-0-	3,672,457
Total assets	<u>\$ 328,241,755</u>	<u>\$ 9,332,301</u>	<u>\$ 6,274,061</u>	<u>\$ (938,889)</u>	<u>\$ 342,909,228</u>

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## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2015

<b>LIABILITIES AND NET POSITION</b>	Hospital	MedWorks	Foundation	Eliminations	Total
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 81,294,556	\$ 1,425,988	\$ 16,933	\$ (938,889)	\$ 81,798,588
Accrued wages and related liabilities	7,472,148	2,124,080	3,980	-0-	9,600,208
Estimated third-party settlements	3,552,131	-0-	-0-	-0-	3,552,131
Current portion of long-term debt					
Loans payable	-0-	46,101	-0-	-0-	46,101
Revenue bonds payable	1,020,480	-0-	-0-	-0-	1,020,480
Total current liabilities	93,339,315	3,596,169	20,913	(938,889)	96,017,508
<b>Other liabilities</b>	-0-	978,490	-0-	-0-	978,490
<b>Long term debt, net of current portion</b>					
Loans payable	0	295,501	-0-	-0-	295,501
Revenue bonds payable	79,448,239	-0-	-0-	-0-	79,448,239
Total long term debt	79,448,239	295,501	-0-	-0-	79,743,740
Total liabilities	172,787,554	4,870,160	20,913	(938,889)	176,739,738
<b>Net position</b>					
Net investment in capital assets	17,854,022	1,004,716	10,340	-0-	18,869,078
Restricted					
Expendable - other specific purpose	-0-	-0-	339,154	-0-	339,154
Non-expendable	-0-	529,198	854,847	-0-	1,384,045
Total restricted net position	-0-	529,198	1,194,001	-0-	1,723,199
Unrestricted	137,600,179	2,928,227	5,048,807	-0-	145,577,213
Total net position	155,454,201	4,462,141	6,253,148	-0-	166,169,490
Total liabilities and net position	\$ 328,241,755	\$ 9,332,301	\$ 6,274,061	\$ (938,889)	\$ 342,909,228

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## MAJOR HEALTH PARTNERS

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

	Hospital	MedWorks	MAI	Foundation	MDSolutions	Eliminations	Total
<b>Revenue</b>							
Net patient service revenue	\$ 376,527,554	\$ -0-	\$ 21,258,364	\$ -0-	\$ -0-	\$ (150,641)	\$ 397,635,277
Other	2,386,271	-0-	818,960	1,468,463	1,075,796	(2,638,605)	3,110,885
Total revenue	378,913,825	-0-	22,077,324	1,468,463	1,075,796	(2,789,246)	400,746,162
<b>Expenses</b>							
Salaries and wages	37,453,405	-0-	15,756,240	130,127	264,594	(494,377)	53,109,989
Employee benefits	9,698,029	-0-	4,627,185	9,214	111,835	-0-	14,446,263
Medical professional fees	3,764,438	-0-	-0-	-0-	-0-	-0-	3,764,438
Supplies	13,062,108	-0-	4,978,466	-0-	11,152	(25,490)	18,026,236
Purchased services	235,313,875	-0-	2,105,291	-0-	176,273	(1,599,848)	235,995,591
Rental and maintenance	32,127,928	-0-	627,320	-0-	230,906	(562,475)	32,423,679
Utilities	1,172,995	-0-	539,450	-0-	6,649	-0-	1,719,094
Insurance	419,795	-0-	637,706	-0-	1,072	-0-	1,058,573
Depreciation and amortization	6,515,392	-0-	911,483	6,804	364	8,090	7,442,133
Hospital assessment fee	2,092,518	-0-	-0-	-0-	-0-	-0-	2,092,518
Other expenses	2,115,422	-0-	669,664	423,385	38,486	(140,146)	3,106,811
Total expenses	343,735,905	-0-	30,852,805	569,530	841,331	(2,814,246)	373,185,325
Operating income (loss)	35,177,920	-0-	(8,775,481)	898,933	234,465	25,000	27,560,837
<b>Nonoperating revenues (expenses)</b>							
Investment income	1,146,403	-0-	-0-	(78,634)	-0-	(82,843)	984,926
Interest expense	(287,837)	-0-	(110,948)	-0-	-0-	82,843	(315,942)
Other nonoperating revenues (expenses)	(1,417,546)	-0-	1,023,743	-0-	25,660	(285,125)	(653,268)
Nonoperating revenues (expenses), net	(558,980)	-0-	912,795	(78,634)	25,660	(285,125)	15,716
Revenues over (under) expenses	34,618,940	-0-	(7,862,686)	820,299	260,125	(260,125)	27,576,553
<b>Transfers (to) from</b>	2,239,507	4,462,141	(4,017,894)	-0-	(1,406,326)	1,409,139	2,686,567
Change in net position	36,858,447	4,462,141	(11,880,580)	820,299	(1,146,201)	1,149,014	30,263,120
<b>Net position</b>							
Beginning of year	118,595,754	-0-	11,880,580	5,432,849	1,146,201	(1,149,014)	135,906,370
End of year	\$ 155,454,201	\$ 4,462,141	\$ -0-	\$ 6,253,148	\$ -0-	\$ -0-	\$ 166,169,490

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