Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of
the Consolidated City of Indianapolis - Marion County)

Comprehensive Annual Financial Report

For the Year Ended December 31, 2017

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Matthew R. Gutwein
President and Chief Executive Officer

Daniel E. Sellers
Treasurer and Chief Financial Officer

Prepared by: The Treasurer's Office

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HEALTH & HOSPITAL CORPORATION

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TO: The Board of Trustees
of The Health and Hospital Corporation of
Marion County, Indiana
The Mayor, City of Indianapolis
The City-County Council
The County Commissioners

The Comprehensive Annual Financial Report of the Health and Hospital Corporation of Marion County, Indiana (Corporation) (a component unit of the Consolidated City of Indianapolis - Marion County), for the fiscal year ended December 31, 2017, is submitted herewith. This report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

This report consists of management's representations concerning the finances of the Corporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Corporation has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Corporation's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Corporation's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Corporation's financial statements have been audited by BKD LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Corporation for the fiscal year ended December 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Corporation was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Corporation's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Corporation's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Corporation's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CORPORATION

The Corporation is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. Its duties include the administration of the Division of Public Health and the Division of Public Hospitals.

The Corporation provides a full range of preventive and curative health services for the residents of Marion County, including indigent care. The Corporation administers two statutory service divisions: the Division of Public Health doing business as the Marion County Public Health Department (MCPHD) and the Division of Public Hospitals doing business as Eskenazi Health.

MCPHD operates two service bureaus: Population Health and Environmental Health. It operates from various clinics and district health offices located throughout Marion County. Population Health provides preventive and diagnostic health programs, health education, immunization and epidemiological programs. The Bureau of Environmental Health provides environmental health regulation, code enforcement, environmental monitoring and vector control.

Eskenazi Health is comprised of the Sidney and Lois Eskenazi Hospital, a 336 bed general acute care hospital; the Sandra Eskenazi Outpatient Care Center, an outpatient specialty care facility co-located with the Hospital; the Eskenazi Health Center, a Federally Qualified Health Center (FQHC) that operates ten primary care centers throughout Marion County; Midtown Community Mental Health, a Community Mental Health Center (CMHC) that provides behavioral health services throughout Marion County; and Indianapolis EMS (IEMS), the county-wide emergency ambulance service. Eskenazi Health is the only public hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association.

The Corporation also has a long-term care (Long-Term Care) enterprise fund, which operates 78 nursing homes throughout Indiana. Long-Term Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled Hoosiers.

A seven member Board of Trustees governs the Corporation. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, and the City-County Council two. Generally, Trustees serve staggered terms of four years each. The Board is bipartisan by statute. The Corporation levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The City-County Council approves the final budget of the Corporation after approval by the Corporation Board of Trustees. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

LOCAL ECONOMY

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Corporation operates.

Indianapolis is the nation's 16th largest city. According to the U.S. Census Bureau's Statistics for 2017, the estimated population of Marion County is 863,000 and 2,029,000 in the Indianapolis Metropolitan Area. Indianapolis is well-known for the multitude of cultural, educational, sporting, shopping and dining opportunities offered to its residents and visitors. Indianapolis is the home of "Hoosier Hospitality" the perfect blend of Midwest, small town welcome and big city attractions and opportunities. Employers and employees discover that a dollar goes further here. Residents and business owners alike enjoy an extremely competitive cost of living, along with a high quality of life.

The hallmarks of the Indianapolis economy have long been its diversity and steady growth, which is part of the foundation of Indy's strong performance during the past several years. Indianapolis can boast of diverse strengths in the manufacturing, distribution, retail and service sectors. Economic diversity keeps Indianapolis on a steady growth track. Additionally, Indiana's real estate availability affords a wide selection of available land, existing office space and industrial parks. Finally, many of the city's major venues, such as Victory Field, Bankers Life Fieldhouse and the Lucas Oil Stadium were all the result of successful partnerships between the private and public sectors.

The stable economy and many attractions of Indianapolis, along with its central location within the nation, make it a prominent convention and tourist center. The Indianapolis 500 Mile Race, the NFL's Indianapolis Colts, the NBA's Indiana Pacers, the WNBA's Indiana Fever and the AAA Indianapolis Indians baseball team are among the city's prominent sporting attractions, not to mention countless amateur sporting events, including the NCAA® Men's and Women's Final Four Basketball Championship. The NCAA Headquarters and Hall of Champions, the Indianapolis Zoo, the Indianapolis Motor Speedway Museum, the Indiana State Museum, the Indianapolis Children's Museum, the Indianapolis Museum of Art, the Eiteljorg Museum of American Indian and Western Art, the American Cabaret Theatre, the Indiana Repertory Theatre, the Indianapolis Symphony Orchestra and the White River State Park have also become popular attractions, along with many outstanding downtown restaurants and sports bars.

LONG-TERM FINANCIAL PLANNING

The Corporation remains a partner with the City of Indianapolis and Marion County. The community is strong yet the needs for public health and public hospital services remain vital. Public health risks like HIV and Hepatitis C, emergency preparedness, growth of opioid addiction, chronic disease and behavioral health problems can most successfully be addressed by local organizations like the Marion County Public Health Department (MCPHD) and Eskenazi Health. The primary goal of the divisions is providing high quality health service but these services can only continue as long as the Corporation remains a good steward of its financial resources.

MCPHD has limited ability to increase its revenue sources because few of its services have direct revenue opportunities. Regardless, MCPHD continues to search for funding other than property tax revenue and continues to fund approximately 40% of its operations through grants and operational revenues. The division continues to focus on improving its ability to meet clients' needs by reinvesting in technology, employee training and direct partnerships with the community. The focus of MCPHD is to make sure its services are exceptional and targeted at the right health issues while managing the cost to the community.

Eskenazi Health is in the early stages of implementing a new strategic plan that is focused on improving patient care, patient service, employee satisfaction and the overall financial performance. Patient quality is the primary goal for Eskenazi Health because the health system knows that without quality care, no other improvements will enable success in the long run. Eskenazi Health believes that patients deserve the best experience possible and knows patients will seek great service from others if the system cannot provide it. Some of the best advocates for the system are its employees. The system has focused on providing a great environment for the employees, students and medical staff, including a new facility, significantly improved technology and wellness options for them. Eskenazi Health knows it can improve financial performance by making sure it provides the care its patients want and need in the time and place that is best for them. At the same time, Eskenazi Health will make sure that all its revenues are fully recognized and its costs are well-managed.

Eskenazi Health went live on Epic in October 2016. Epic is an Electronic Health Record (EHR) that replaced a home-grown product that was no longer capable of serving the clinical and business needs of Eskenazi Health. Its functionality has helped Eskenazi Health accomplish the clinical and financial goals set in its strategic plan. From a financial perspective, Epic has reduced the capital cost of technology at Eskenazi Health by $3 million per year and the finance division has experienced significant improvement in revenue recognition. Hospital-based gross revenue capture has improved by nearly 20% since Epic went live. Also, coding documentation and compliance review has been enhanced to ensure that the increased revenue is being recognized appropriately.

IEMS has saved Marion County millions of dollars every year since its inception. When IEMS began providing services in 2010, Marion County taxpayers were funding over $9 million of losses for ambulance services each year. IEMS was created to improve quality and to reduce losses. The leaders of IEMS partnering with the frontline Paramedics and EMTs have worked together to improve patient quality, patient and resident safety and coordination with the Police and Fire services. IEMS, operating as healthcare division of the Corporation, is becoming a model for pre-hospital care nationally. IEMS operates at a breakeven based on operating revenue alone, there is no tax support provided to this division.

The Long-Term Care Division continues to provide some of the highest quality nursing home services in the State. Long-Term Care has improved quality care each year while continuing to reinvest in our staff and facilities. Long-Term Care is financially able to support its own mission and helps fund other divisions of the Corporation. Long-Term Care has been a vital aspect of the Corporation's success over the past decade. The Corporation has focused significant attention on this unit in the past three years because of a federal investigation into the actions of former executives of the management company contracted to lead the Long-Term Care Division. The investigation is not focused on the Corporation or any of its employees. The long-term effect of the investigation is not known. The operational quality and financial forecast for the division continue to be strong. The financial statement notes provide additional information for the reader.

In 2015, the Corporation's Long-Term Care Division purchased 17 nursing homes that were under a federally imposed Corporate Integrity Agreement (CIA) prior to being purchased. The CIA required the Corporation to comply with the previous owner's Compliance Plan until October 2019. The Corporation has redesigned and enhanced its compliance department to match the CIA and to make sure it uses best compliance practices into the future. A new Chief Compliance Officer (CCO) was hired in 2016. The CCO reports directly to the Board of Trustees and to the CEO. The CCO has hired several additional compliance leaders throughout the Corporation. Compliance monitoring, comprehension and attention has been significantly enhanced and the organization has been well served by the increased scale of the compliance department.

The Affordable Care Act (ACA) has been extremely beneficial to medically underserved citizens of Marion County. The ACA made it possible for Indiana to expand the HIP 2.0 program, which has reduced the uninsured rates in Marion County from 20% down to 15% according to a report by the Robert Wood Johnson Foundation. At Eskenazi Health the uninsured rates have fallen from nearly 38% to the mid-teens in the past few years. These improvements in health coverage have improved the operational bottom-line at Eskenazi Health by more than $60 million per year.

The Corporation will continue to focus on providing extremely high quality care in all of it divisions. The Corporation has continuous improvement plans operating throughout the system to help focus attention on quality care, quality outcomes, quality service and financially appropriate operations.

MAJOR INITIATIVES FOR THE YEAR

Marion County Public Health Department:

As the community chief public health strategist for Indianapolis, MCPHD continues to address emerging health demands and take advantage of promising opportunities. MCPHD works to improve community partnership development, to prepare for achievement of national standards through appropriate professional accreditation bodies such as the Public Health Accreditation Board (PHAB), to remove barriers to healthcare, and to promote health equity with limited resources.

Against a backdrop of these and other influencing factors such as changing demographics, access to care, and changes to an internet-based, consumer-driven communications environment, MCPHD will play a vital role in the redirection of the health care system toward prevention and wellness.

MCPHD is committed to:

- Interventions and resources improving mental health status for prevention, treatment and recovery of opioid abuse and dependence.
- The reduction of infant mortality.
- The promotion of immunizations and dental health in infants, children and adults.
- The assurance of policy, systems, and environmental change strategies to reduce tobacco use, secondhand smoke and opioid dependence.
- The reduction of obesity and sedentary lifestyle through increasing understanding of good nutrition and physical activity.
- Control of HIV and Hepatitis C viruses and sexually transmitted diseases.
- Environmental health and the concept of Health in All Policies.
- Safe, livable housing and sustainable neighborhoods.
- All Hazards Preparedness, Response and Recovery.
- The development of strategies to lower the incidence of diabetes, asthma and cardiovascular disease.
- The reduction of violence.
- Focus on equity and social justice in all planning processes.
- An increase in health literacy across the populations served.

Through our Community Health Assessment (CHA) process, MCPHD better understands the needs and assets of Marion County and ensures health care resources are used toward collaborating to make measurable improvements in Marion County residents' health and well-being. The most recent MCPHD CHA, which was prepared in collaboration with over 125 public health partners and released in December 2014, revealed five priorities for our county: unhealthy weight, poor mental health, poverty, chronic disease prevention and management and violence. In 2016, a Community Health Improvement Planning process was initiated which will address these five priorities. MCPHD leadership approved a Strategic Plan, Workforce Development Plan, Quality Improvement/Performance Management System Plan, and Cultural and Linguistic Competency Plan. The Accreditation Team continued to identify and develop documentation to satisfy the Standards and Measures of the Public Health Accreditation Board and set a date for submitting its application as October 1, 2018.

Through a comprehensive collaborative approach, MCPHD understands many of our public health challenges are interrelated and involve personal responsibility and a long-term commitment to achieve positive health outcomes. This is evidenced by MCPHD's active participation in the Top 10 Coalition, the Indy Food Council, and Local Initiatives Support Corporation's (LISC) Quality of Life Plans for several neighborhoods, Health By Design, Greater Indianapolis Progress Committee's Plan 2020, City of Indianapolis Office of Sustainability's *Thrive Indy* plan, and regular attendance at dozens of neighborhood association meetings to address environmental and social health issues.

There continues to be equally compelling challenges on the public health landscape beyond those identified by the CHA. Since 2016, we have seen an unprecedented increase in opioid overdoses, Hepatitis C and HIV infections. MCPHD's challenges include establishing a safe syringe exchange and the need to establish a city-wide task force to address the opioid crisis. Aggressive efforts continue in reducing the transmission of HIV/AIDS, Hepatitis C and other sexually transmitted diseases, expanding outreach services to substance abusers and reducing the prevalence of prostate, breast, colon and lung cancer. Other issues include addressing the overwhelming and critical problem of dental disease in disadvantaged children, creating optimal coordination of community-based primary care services, housing inspections, lead safe and healthy home testing, case management, providing clinical and environmental public health laboratory services to protect against diseases and other health hazards and providing mental health and social services. Through our public health preparedness and public safety efforts, MCPHD continues to mitigate public health threats and emergencies by strategic and effective planning and collaboration.

Eskenazi Health:

Eskenazi Health received many awards during 2017, a sample of which includes:

- Gregory S. Fehribach, a member of the Board of Trustees of the Health & Hospital Corporation, was named the Dr. Martin Luther King Jr. Freedom Award recipient at the 2017 Champions of Diversity celebration.
- Eskenazi Health has been recognized as a Platinum-Level Fit-Friendly Worksite by the American Heart Association for helping employees eat better and move more. The recognition reflects the importance Eskenazi Health places on having a healthy workplace for employees and creating a culture of wellness by providing support to employees.
- The Sidney & Lois Eskenazi Hospital was granted affiliate status with the National Institute for Occupational Safety and Health's (NIOSH) Total Worker Health® program, joining only 24 other organizations in the country and becoming the only organization in Indiana to achieve this status.
- Critical Care Recovery Center, or CCRC, a model developed and tested by the Indiana University Center for Aging Research, the Regenstrief Institute and Eskenazi Health has received the 2017 THRIVE Innovation Award from the Society of Critical Care Medicine. The honor recognizes the nation's first collaborative care concept targeting the extensive cognitive, physical and psychological recovery needs of intensive care unit survivors.
- Eskenazi Health has been named as one of Becker's Hospital Review's "150 Top Places to Work in Healthcare." This marks the second consecutive year that Eskenazi Health has earned this highly-valued and meaningful distinction.
- Dr. W. Graham Carlos III and Dr. Babar Khan were recipients of the 2017 Achievement in Medicine (AIM) Award by St. Margaret's Hospital Guild and the Indiana Blood Center. The AIM Award honors management-level members of the Eskenazi Health team who uphold the tradition of excellence in health care.
- Dr. Daniel Clark was recognized as an honoree in the Advancements in Health Care category in the Indianapolis Business Journal's 2017 Health Care Heroes awards. Dr. Clark assists with Eskenazi Health's brain safety lab.
- Comprehensive Counseling Services for First Responders in Indianapolis was an honoree in the Community Achievement category in the Indianapolis Business Journal's 2017 Health Care Heroes awards. All six major hospital systems in Indianapolis came together in 2014 in a collaboration that stands ready to serve first responders with confidential, high-quality care.
- Dr. Lisa Harris, Eskenazi Health CEO, was one of the 2017 "100 Great Healthcare Leaders to Know" by Becker's Hospital Review.
- Regenstrief Institute Investigator and Eskenazi Health Emergency Medicine Physician Dr. John Finnell was inducted as a fellow of the American College of Medical Informatics.
- During Patient Safety Awareness Week in March, the Indianapolis Coalition for Patient Safety recognized multiple Eskenazi Health staff members for their efforts to actively contribute to making Indianapolis a safer community to receive care.
    - Recipients included Heather Dossett, coordinator of drug information and medication use process; Jennifer Kitchens, clinical nurse specialist; Christie Davis, clinical pharmacist specialist; and Todd Walroth, manager of clinical pharmacy services; all of whom chair workgroups for the coalition.
- Dr. Babar Khan, assistant professor of medicine in the division of Pulmonary, Critical Care and Sleep Medicine, received a 2017 Indiana University School of Medicine Trustee Teaching Award. The awards are given annually to faculty across the university.
- Dr. Janine Fogel was honored as a NUVO Cultural Vision Award visionary for her work creating the Transgender Health and Wellness Program at Eskenazi Health.
- Julie Conrad, interim chief counsel of Eskenazi Health Legal Services, was recently named one of this year's Leadership in Law Barristers by Indiana Lawyer. Conrad provides advice and counsel on a variety of labor and employment issues to Eskenazi Health.
- Malinda Boehler, director of the Midwest AIDS Training + Education Center at Eskenazi Health, was named Social Worker of the Year for Region 7 of Indiana, which includes Marion, Boone, Hamilton, Hendricks, Hancock, Morgan, Johnson and Shelby counties.

- Dr. Theresa Rohr-Kirchgraber was given a 2017 Trustee Teaching Award. The Indiana University Board of Trustees established this award to recognize outstanding teaching and to emphasize the primacy of learning and of learners in the medical school. This award acknowledges and applauds the vital role she has played as a medical educator.
- Misty Bragg, RN in acuity adaptable, was awarded the March 2017 DAISY Award.
- Tom Thaman was recognized by the Association of Nutrition & Foodservice Professionals (ANFP) as the recipient for the 2017 Certified Dietary Manager Spotlight Award for his contributions to the industry. Thaman is the director of Eskenazi Health Food & Nutrition Services.
- Dr. Rohr-Kirchgraber was awarded 1st place at the Academy of Women's Health Congress on Women's Health in April 2017 for her research poster titled: Save A Life: Emotional Distress and Physician Suicidality, the Impact of Credentialing.
- Eskenazi Health was honored for "Implementing an Acuity Adaptable Care Model Utilizing Evidence-Based Practice" under the Clinical Partnership Awards in the "Large Hospital" category by the Honor Society of Nursing, Sigma Theta Tau International (STTI) for their 2017 International Awards for Nursing Excellence. These awards recognize achievements in the fields of technology, media, chapter excellence, research, education, practice, and leadership.
- Tonya Heard, RN in Family Beginnings - OB Triage, was awarded with the June 2017 DAISY Award.
- Marti Feichter and Kari Gabehart of the Richard M. Fairbanks Burn Center received the Grateful Patient awards for June for their efforts to provide care to the grandson of the donors, Joe and Judy VanDevender.
- Eskenazi Health received the Get With The Guidelines Bronze Stroke Achievement Award. This award recognizes hospitals that demonstrate at least 85 percent compliance in each of the seven Get With The Guidelines-Stroke Achievement Measures. Bronze recognizes performance of 90 consecutive days.
- Penn Place Apartments was selected as the 2017 Lt. Governor's Excellence in Affordable Housing Award Winner in the Special Needs category.
- Thomas Thaman, director of Food and Nutrition for Eskenazi Health, was recognized with the Certified Dietary Manager (CDM) Spotlight Award, awarded to a member who has received their chapter's CDM of Year (or equivalent award), or was named as the 'CDM of the Month' in Edge in 2015/2016.
- Eskenazi Health Center Pecar, the Eskenazi Health Center for Senior Health and Senior Care House Calls achieved Level 3 status on the Patient-Centered Medical Home quality scale. Level 3 is the highest designation awarded.
- Amy Carter, director of Outpatient Nutrition, received the Diabetes Educator of the Year Award. American Association of Diabetes Educators (Indiana AADE).
- Dr. Cynthia L. Robbins, FAAP, and Dr. Rebekah L. Williams, FAAP, co-directors of the Eskenazi Health Center Primary Care – Adolescent program, received Richard B. Heyman Awards, Section on Adolescent Health, from the American Academy of Pediatrics.
- Jessica Newblom, DPT, was named the Indiana University DPT Clinical Educator of the Year.
- Eskenazi Health was awarded the Corporate Wellness Award for Division 4 from the Indiana Sports Corp. (ISC) Corporate Challenge. The award is given to one team in each division that separates themselves by hosting team training activates, has high employee participation in the event and demonstrates great enthusiasm for the ISC Corporate Challenge.
- Eskenazi Health received the Wellness Council of Indiana 5 Star AchieveWELL award, the organization's highest level of recognition. The award distinguishes Eskenazi Health as one of the healthiest workplaces in Indiana, which offers significant competitive advantages in recruiting and retaining employees, better health outcomes, lower absenteeism and higher productivity.
- Eskenazi Health in conjunction with IU School of Nursing was awarded the Honor Society of Nursing, Sigma Theta Tau International (STTI), 2017 International Awards for Nursing Excellence: Clinical Partnership Award for a Large Hospital for adoption of the evidence-based Acuity Adaptable Care Model. This study was grant funded by the Alpha Chapter of STTI.
- Eskenazi Health received a Hulman Health Achievement Award in the "Public Health is Good Business" category, provided by the Indiana Public Health Association. This award recognizes an Indiana corporation and/or business leader who has made special contributions to local public health and/or has shown exemplary initiative in employee wellness with improved health outcomes. Eskenazi Health received the award because of its work to fight preventable diseases and promote overall healthiness for its employees, patients and community members with wellness initiatives and programs that include nutrition, exercise, mind-body medicine, safety, lifestyle medicine, art, music and healing spaces, and more.

- Eskenazi Health Center was honored with the 2017 Spirit Award by The Partnership for Excellence at its Quest for Success conference at Ohio State University. The Partnership for Excellence is a not-for-profit organization helping organizations in Ohio, Indiana and West Virginia achieve best-in-class levels of performance and sharing best management practices, principles and strategies.
- Jessica Newblom, was named Indiana University's Doctor of Physical Therapy (DPT) Clinical Educator of the Year. Newblom is a physical therapist at Eskenazi Health.
- Eskenazi Health CEO Dr. Lisa Harris was recognized for Character, an award presented by the Girl Scouts of Central Indiana.
- Dr. Theresa Rohr-Kirchgraber was selected as a 2017 Woman of Influence by the Indianapolis Business Journal.
- Dr. Krista Brucker, medical director of Project POINT, was nominated for a Junior Achievement Best & Brightest Award.
- Eskenazi Health was awarded the Bronze Designation by the League of American Bicyclists Bicycle Friendly Business program. This distinction recognizes the efforts put forth by Eskenazi Health such as the inclusion of bike racks on campus, signs directing employees to showers and locker rooms for commuting employees, and the inclusion of an Indiana Pacer Bikeshare dock on the Sidney & Lois Eskenazi Hospital campus.
- Eskenazi Health has received the Diamond Award for Epic Adoption Communications, as judged by the Charlotte chapter of PRSA.
- Michele Glidden, Stroke Program Coordinator, has been awarded the Nursing Educator Award from the Indiana State Council of the Emergency Nurses Association (Indiana ENA). This award recognized her efforts in developing the Eskenazi Health's stroke program and work towards receiving Certified Stroke Center certification with the Joint Commission.
- Jasmine Gonzalvo, a clinical pharmacy specialist, was elected to serve as a member of the National Certification Board for Diabetes Educators (NCBDE) Board of Directors. In addition to her role at Eskenazi Health, she is currently a clinical associate professor in the College of Pharmacy at Purdue University.
- The Indiana Society of Healthcare Engineering recognized Eskenazi Health Biomedical Engineering for its support at the American Society of Healthcare Engineering's Midwest Healthcare Conference.
- Eskenazi Health was selected for Goodwill's 2017 Connections Award which recognizes a partner organization that has demonstrated an outstanding commitment to our mission.
- Eskenazi Health Center Forest Manor was named an MDwise Star Performer for 2017. The Eskenazi Health Center Forest Manor team was selected for its approach to improvement and results.

For nearly 160 years, Eskenazi Health has provided high-quality, cost-effective, patient-centered health care to the residents of Marion County and Central Indiana. Accredited by The Joint Commission, nationally recognized programs include a Level I trauma center, regional burn center, comprehensive senior care program, women's and children's services, teen and adolescent care programs, Eskenazi Health Midtown Community Mental Health, and a network of primary care sites located throughout the neighborhoods of Indianapolis known as Eskenazi Health Center. Eskenazi Health also serves as the sponsoring hospital for Indianapolis Emergency Medical Services.

As the public hospital division of the Corporation, Eskenazi Health partners with the Indiana University School of Medicine whose physicians provide a comprehensive range of primary and specialty care services.

Long-Term Care:

The Corporation leases and operates 78 skilled nursing homes and four free-standing licensed residential (assisted living) facilities, serving more than 8,000 residents. In addition, multiple locations provide a continuum of care with independent apartments and garden homes in a campus- type setting. The Corporation contracts with American Senior Communities (ASC) to manage its long-term care and skilled nursing facilities.

During 2017, five traditional long-term care units were converted to specialized memory care units thereby expanding the Corporation's Auguste's Cottage service line. Long-Term Care currently serves approximately 1,800 individuals with memory deficits related to Alzheimer's disease and Dementia in these specialized units. Also in 2017, Long-Term Care opened a fourth pulmonary care/vent unit serving the specialized needs of persons who are ventilator dependent or require other specialized respiratory care. The new unit is located within Trailpoint Village in South Bend, Indiana.

Census has been slightly declining over the past few years, a trend seen throughout the state and country with shorter lengths of stay for Medicare short stay admissions and increased use of home health service. The average daily resident census for December 2017 was 8,010 including independent garden homes, assisted and independent living apartments. December 2016 averaged 8,052 residents and December 2015 averaged 8,155. Multiple facilities had beds out of service in December 2017 as construction continued on remodel projects.

The 17 facility operations acquired in 2015 and leased from Formation Capital were operated for the first 18 months as a distinct group. This included a dedicated Regional Vice President and ASC corporate staff in order to help facilitate the various facilities' integration into new systems and policies and procedures. In 2017, the facilities were integrated into operational pods according to location and now have support and peer groups that enhance the individual and regional facility marketability and provide enhanced geographic efficiencies. The 17 facilities remain under the requirements of Extendicare's Corporate Integrity Agreement and Compliance Plan which are in effect until October 2019. The Corporation and ASC continue to work closing with the Office of Inspector General (OIG) appointed independent monitor, Long-Term Care Institute, Inc. (LTCI). Both the OIG Federal monitors and LTCI staff continue to express a high level of satisfaction with the policies, procedures, and systems introduced by ASC and the Corporation for this new group and the Corporation's Board of Trustees has attested compliance with the provisions of the plan for 2017.

Quality care and service are priorities for the Long-Term Care Division and quality improvement endeavors are continually performed at all locations. In October 2017, nine of Long-Term Care's facilities were among only eighteen Indiana nursing homes presented with the American Health Care Association/National Center for Assisted Living (AHCA/NCAL) National Quality Bronze Award for Commitment to Quality. The nine facilities include: Brownsburg Meadows, Clinton Gardens, Fairway Village, Lowell Healthcare, North Park Nursing Center, Rosewalk Village of Indianapolis, Springhill Village, Washington Healthcare Center, and Westview Nursing and Rehabilitation Center. This brings the total number of Bronze Award winning long-term care facilities to twenty-five since 2014 when the Corporation first applied for the program. Three facilities, American Village, Bethlehem Woods Nursing and Rehabilitation and Willowdale Village were among only five Indiana facilities presented with the AHCA/NCAL Silver Award for Achievement in Quality. One facility, Swiss Villa Nursing and Rehabilitation, was among four Indiana facilities presented with the National Quality Silver Award in 2015. The awards are based on the health care criteria of the nationally recognized Baldrige Performance Excellence program and participation in this program is encouraged for all locations.

Coventry Meadows Assisted Living received the Indiana Health Care Association (IHCA) 2017 award as Assisted Living Facility of the Year. Ms. Louise Bethany, a Certified Nursing Assistant at Cardinal Nursing and Rehabilitation was honored as the IHCA's Clinical Staff Person of the Year at the annual conference in August. She has served the residents of Cardinal as a caregiver for 51 years.

According to the CMS Nursing Home Compare Rating System, in December 2017, Long-Term Care's skilled nursing facilities averaged 3.58 Stars Overall on the Five Star program. The statewide Overall star average was 3.36 Stars for all skilled facilities, including the Corporation's facilities. The National Overall average was 3.34 stars. Thirty-two of the seventy-eight facilities (41%) were rated at Five Stars. This rating system includes three components: Inspections Rating, Staffing Rating and Quality Measures Rating. Currently 88% of the Corporation's skilled nursing facilities are rated above average (4 or 5 stars) for the Quality Measures Star which rates the facility on 24 specific quality care measures.

Regulatory compliance is an on-going objective for the Long-Term Care facilities and the majority is very successful in achieving or maintaining outstanding compliance with federal and state compliance measures. The Indiana State Department of Health (ISDH) consumer report for Long-Term Care nursing facilities continues to reflect very positively on the regulatory compliance of the Corporation. Nine facilities earned deficiency free annual licensure and recertification surveys from ISDH in 2017, three facilities more than in 2016 and 2015 each. Long-Term Care's average ISDH report card computed scores have consistently been better than the statewide average for more than six years. ISDH temporarily halted the posting of report cards scores in November 2017. ISDH has not released the date when the report card scores will again be posted for public review. In November 2017, the average computed report card score for Long-Term Care's facilities was 139.29 and the statewide average was 143. (The lower the score the better). This was the first year that the average was calculated for all 78 SNFs together rather than separating the 2015 acquisitions and thus, is not being compared to previous averages. Forty-two facilities (54%) of the 78 facilities have improved their annual licensure and recertification score sets since the time of acquisition.

The 2015 acquisition group has made good progress in regulatory compliance since acquisition with the combined average for the seventeen facilities ISDH computed report card score now at 141.7, compared to 148 in 2015. Of this acquisition group, 53% have improved their most recent score sets in this consumer report since the change of ownership.

One of the most important care and service measures is resident and family satisfaction. A new client satisfaction consulting firm has been hired to provide the independent satisfaction surveys of residents and families. Pinnacle Quality Insight (Pinnacle) was selected to begin service in 2017. This organization specializes in customer satisfaction measurement for post-acute and assisted living provides and has the ability to benchmark customer and employee satisfaction against over 2,500 providers nationwide. Instead of annual client survey, Pinnacle conducts monthly surveys ensuring customer satisfaction is ongoing and an ever-present priority. The 2017 statistics are reflective of the clients being most satisfied with the Dignity and Respect ratings at 95.5%. The 2017 surveys indicate 91% of respondents recommend the Long-Term Care facilities to others, which is very consistent with 92% result in the 2016 survey by the former independent service.

The Corporation's long-term care facilities provide employment for more than 10,000 people, making this nursing home group the seventh largest employer in the state. The Corporation is dedicated to the professional growth of the state's workforce and particularly in addressing the growing shortage of licensed nurses. The Opportunities to Nursing Excellence (O2NE) program is a joint Corporation/ASC endeavor now in its fifth year. To date, there have been 137 employees graduate. In 2017, the program included 60 active participants; 25 in the LPN track and 35 in the RN track. As a result of this program, eight O2NE graduates are working as Directors of Nursing Services in Long-Term Care skilled nursing facilities.

On September 15, 2015, the Corporation became aware of a federal investigation of several then leaders at ASC, the management company the Corporation contracted with to manage its long-term care facilities. The Corporation has continually been assured that the Corporation and its employees were not the target or subject of any investigation and that this investigation was not related to the care that any resident/patient has received at any of the Corporation's nursing homes. See Note 18 for additional information.

The Corporation's executive team continues to have daily contact and, at least weekly meetings with ASC. The transition of the leadership at ASC has been completed and continues to result in many positive changes for the operations of our long-term care facilities. The CEO, COO, and CFO positions turned over shortly after September 15, 2015 and were filled by permanent key leaders following a period of interim management by executives from an outside consulting firm. Additional key support positions were established at the ASC corporate office in 2016 including, but not limited to, Vice President of Property Management, Chief Information Officer, and Director of Purchasing. In 2017, additional key leaders were recruited and employed by ASC including a physician with significant geriatric long-term care experience to serve as Senior V.P. of Medical Services, Chief Compliance Officer, V.P. of Post-Acute Services Development, a corporate pharmacist, and multiple financial support staff.

The Corporation's internal Long-Term Care Quality Review Team (QRT) consists of highly qualified and long-term care experienced Registered Nurses, Health Facility Administrators and Social Workers. These professionals continue to visit all of the Corporations' long-term care facilities at least annually, and select facilities receive additional site visits and reviews. In 2017, the QRT performed 113 quality review site visits. Reviews include many aspects of the facility operation and clinical services such as clinical records, personnel files and quality assurance minutes, etc. Over 600 interviews were conducted with 400 residents and more than 200 family members.

At the request of ASC, the Corporation's Long-Term Care Division Corporate department accepted the responsibility to assure that the long-term care facilities received training and assistance in the implementation of new federal regulations for emergency preparedness. Emergency preparedness has been a primary goal for the Long-Term Care Division for some time as indicated by the capital expenditure Legacy project of replacing all low capacity emergency generators with large capacity models. These larger generators will allow for facilities to shelter-in-place whenever possible during power outages potentially to assist the local community with power needs. The Corporation contracted with the nationally-recognized MESH Emergency Coalition, located in Indianapolis, to develop and deliver a series of emergency preparedness workshops to the ASC leadership of all the skilled nursing and assisted living facilities. In a joint effort of the Corporation and ASC, new policies and procedures were developed and distributed relative to emergency preparedness and response, and all communities were provided the necessary tools to meet the new federal standards. The Corporation has entered a two year stake-holders agreement with MESH to provide on-going education and assistance to the Corporation's long term care facilities.

AWARDS AND ACKNOWLEDGEMENTS

The Corporation had an annual audit of its financial statements performed for 2017 by BKD LLP, Certified Public Accountants. The independent auditor's report on the Corporation's financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Health and Hospital Corporation of Marion County, Indiana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last 33 consecutive years. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The President and Chief Executive Officer and the Treasurer and Chief Financial Officer alone cannot prepare the report presented herein. This CAFR was made possible by the dedicated service of the combined staffs of Hospital Finance and Corporate Accounting. Each member of these departments has our sincere appreciation for the contributions made to this report.

Respectfully submitted,

Matthew R. Gutwein
President and
Chief Executive Officer

Daniel E. Sellers
Treasurer and
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Health and Hospital Corporation

of Marion County, Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Health and Hospital Corporation

Elected Officials

None of the Board of Trustees or Officers of the Corporation are Elected Officials. All are appointed to office.

Appointed Officials - Board of Trustees


James D. Miner, M.D.
Chairman
Physician


Gregory S. Fehribach
Vice Chairman
Attorney
Stark, Doninger & Smith


David F. Canal, M.D.
Physician & Professor of Surgery
IU School of Medicine


Charles S. Eberhardt, II
President & CEO
Akinet Spirits Group


Joyce Q. Rogers
Vice President
Indiana University


Carl L. Drummer
Director of Public Affairs
Ice Miller


Ellen Quigley
Vice President of Programs
Richard M. Fairbanks Foundation

Health and Hospital Corporation

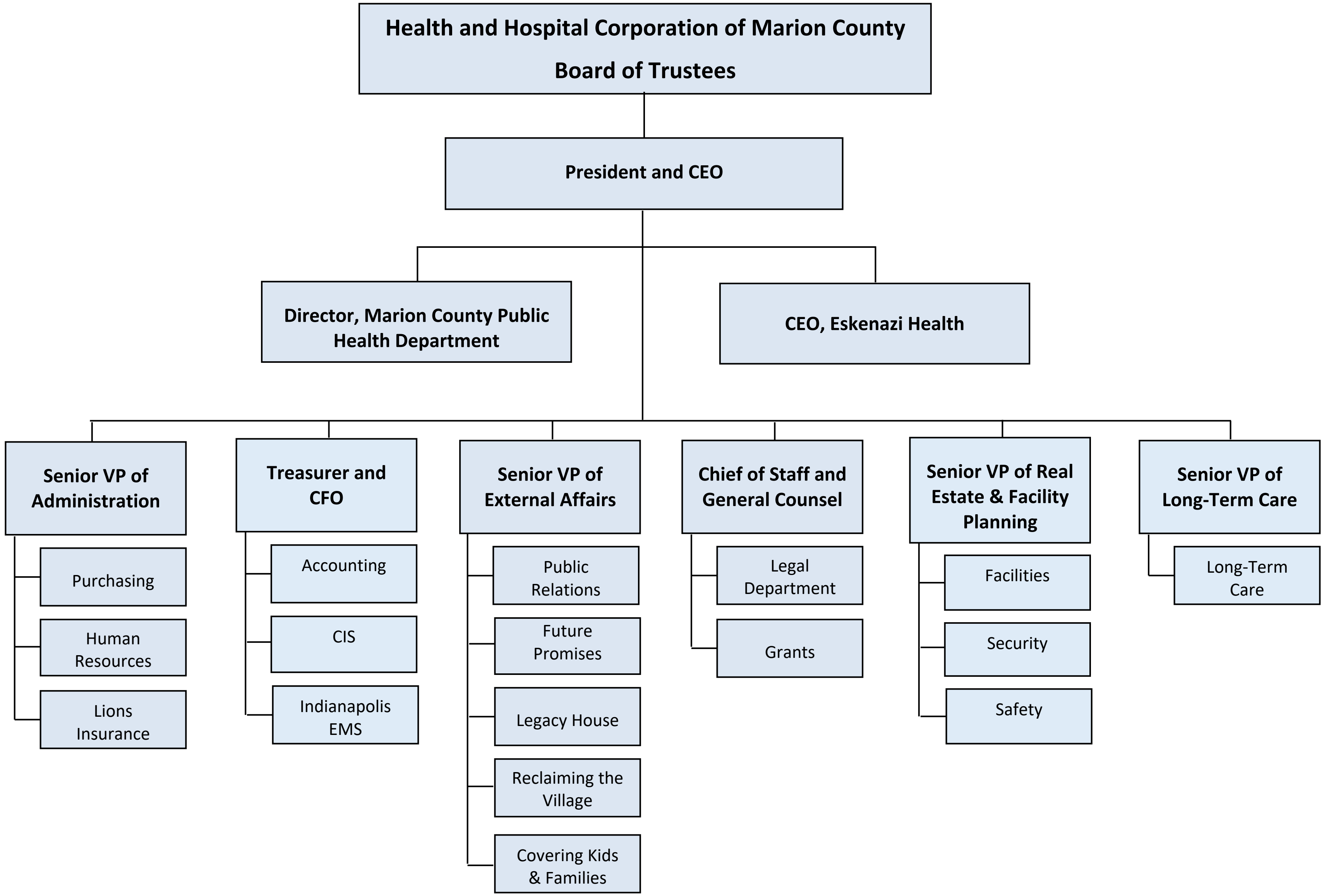
Officers

Name	Title
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	Chief Executive Officer, Eskenazi Health
Virginia A. Caine, M.D.	Director, Marion County Public Health Department

Independent Auditors

BKD, LLP	Indianapolis, Indiana

Officers of the Health and Hospital Corporation during 2017 were (left to right): Matthew R. Gutwein, President and Chief Executive Officer; Lisa E. Harris, M.D., Chief Executive Officer, Eskenazi Health; Virginia A. Caine, M.D., Director, Marion County Public Health Department; and Daniel E. Sellers, Treasurer and Chief Financial Officer.


Health and Hospital Corporation of Marion County
Board of Trustees
President and CEO
Director, Marion County Public Health Department
CEO, Eskenazi Health
Senior VP of Administration
Purchasing
Human Resources
Lions Insurance
Treasurer and CFO
Accounting
CIS
Indianapolis EMS
Senior VP of External Affairs
Public Relations
Future Promises
Legacy House
Reclaiming the Village
Covering Kids & Families
Chief of Staff and General Counsel
Legal Department
Grants
Senior VP of Real Estate & Facility Planning
Facilities
Security
Safety
Senior VP of Long-Term Care
Long-Term Care

Financial Section

BKD
CPAs & Advisors

201 N. Illinois Street, Suite 700 | P.O. Box 44998 | Indianapolis, IN 46244-0998
317.383.4000 | Fax 317.383.4200 | bkd.com

Independent Auditor's Report

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Health and Hospital Corporation of Marion County, Indiana as of December 31, 2017 and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory section, statistical information and other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Indianapolis, Indiana
June 27, 2018

Management’s Discussion and Analysis (Unaudited)

As management of the Health and Hospital Corporation of Marion County, Indiana, (Corporation), we offer readers of this Corporation’s Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $826.5 million (net position). Unrestricted net position at the end of 2017 is $71.6 million.
- The Corporation’s total net position increased by $121.1 million, from current year activities.
- As of the close of 2017, the Corporation’s governmental funds reported combined ending fund balances of $457.8 million, an increase of $33.5 million in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $376.6 million or 179.7% of total General Fund expenditures.
- The Corporation’s total debt, excluding capital leases, decreased by $5.0 million or 2.6% during the current fiscal year. This reflects scheduled principal payments on outstanding bonds. The capital lease obligations decreased by $63.9 million or 7.1% in 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Health and Hospital Corporation’s basic financial statements. The Corporation’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Corporation’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these financial statement elements being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Health and Hospital Corporation include those focused on public health: health improvement, communicable disease prevention, water quality and hazardous materials management, vector disease control, housing and neighborhood health, consumer and employee risk reduction, and administration and finance activities, including debt management. The business-type activities reflect the operations of Eskenazi Health, including a general acute care hospital, an outpatient care center, ten community health centers and the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS); and the Corporation's Long-Term Care operations (Long-Term Care), consisting of a system of long-term care facilities throughout the State of Indiana.

The government-wide financial statements include the Health and Hospital Corporation of Marion County, Indiana (known as the primary government) and two blended component units, Lions Insurance Company and Eskenazi Medical Group. Since the Corporation's Board is appointed, not elected, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

The Corporation adopts an annual appropriated budget for its General, Debt Service, and a portion of its Capital Projects Fund. Budgetary comparison statements have been provided for these three funds to demonstrate compliance with this budget.

Proprietary Funds - The Corporation's proprietary funds consists of two enterprise funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The Corporation uses the enterprise fund to account for its Eskenazi Health Division (including Indianapolis EMS) and its Long-Term Care Division. The proprietary funds include the blended component units of Lions Insurance Company and Eskenazi Medical Group.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including a schedule of proportionate share of the net pension liability and schedule of contributions in connection with the Corporation's participation in a cost-sharing, multiple-employer defined-benefit retirement plan and a budgetary comparison schedule for the General Fund. Also, budgetary schedules are provided for the Debt Service Fund and the Capital Projects Fund as other supplementary information.

Financial Analysis of the Corporation as a Whole

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows exceeded liabilities and deferred inflows by $826.5 million at December 31, 2017. The Corporation's net position increased by $121.1 million, compared to $23.3 million in 2016.

The Corporation's net position includes its investment in capital assets (e.g., land, buildings, machinery, and equipment,) plus restricted funds, less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position is $71.6 million.

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 550,386	$ 505,253	$ 555,083	$ 547,639	$ 1,105,469	$ 1,052,892
Capital assets, net of accumulated depreciation	27,007	24,759	1,119,788	1,206,065	1,146,795	1,230,824
Total assets	577,393	530,012	1,674,871	1,753,704	2,252,264	2,283,716
Deferred Outflows of Resources	8,925	12,545	30,165	49,085	39,090	61,630
Liabilities						
Other liabilities	35,939	33,936	147,216	246,199	183,155	280,135
Long-term liabilities	676,634	691,818	591,460	658,789	1,268,094	1,350,607
Total liabilities	712,573	725,754	738,676	904,988	1,451,249	1,630,742
Deferred Inflows of Resources	356	631	13,212	8,556	13,568	9,187
Net Position						
Net investment in capital assets	22,108	16,462	732,588	765,328	754,696	781,790
Restricted	243	412	-	-	243	412
Unrestricted	(148,962)	(200,702)	220,560	123,917	71,598	(76,785)
Total net position	$ (126,611)	$ (183,828)	$ 953,148	$ 889,245	$ 826,537	$ 705,417

Changes in Net Position

The Corporation's total revenue was $1.8 billion during the current fiscal year. Taxes represent 7.0% of the Corporation's revenue. Medicaid special revenue represents 1.3% of revenue, while 84.0% of revenue came from fees charged for services. The remaining 7.7% came from grants and contributions, investment earnings, Build America Bond subsidies, and a gain from divesting in certain joint ventures.

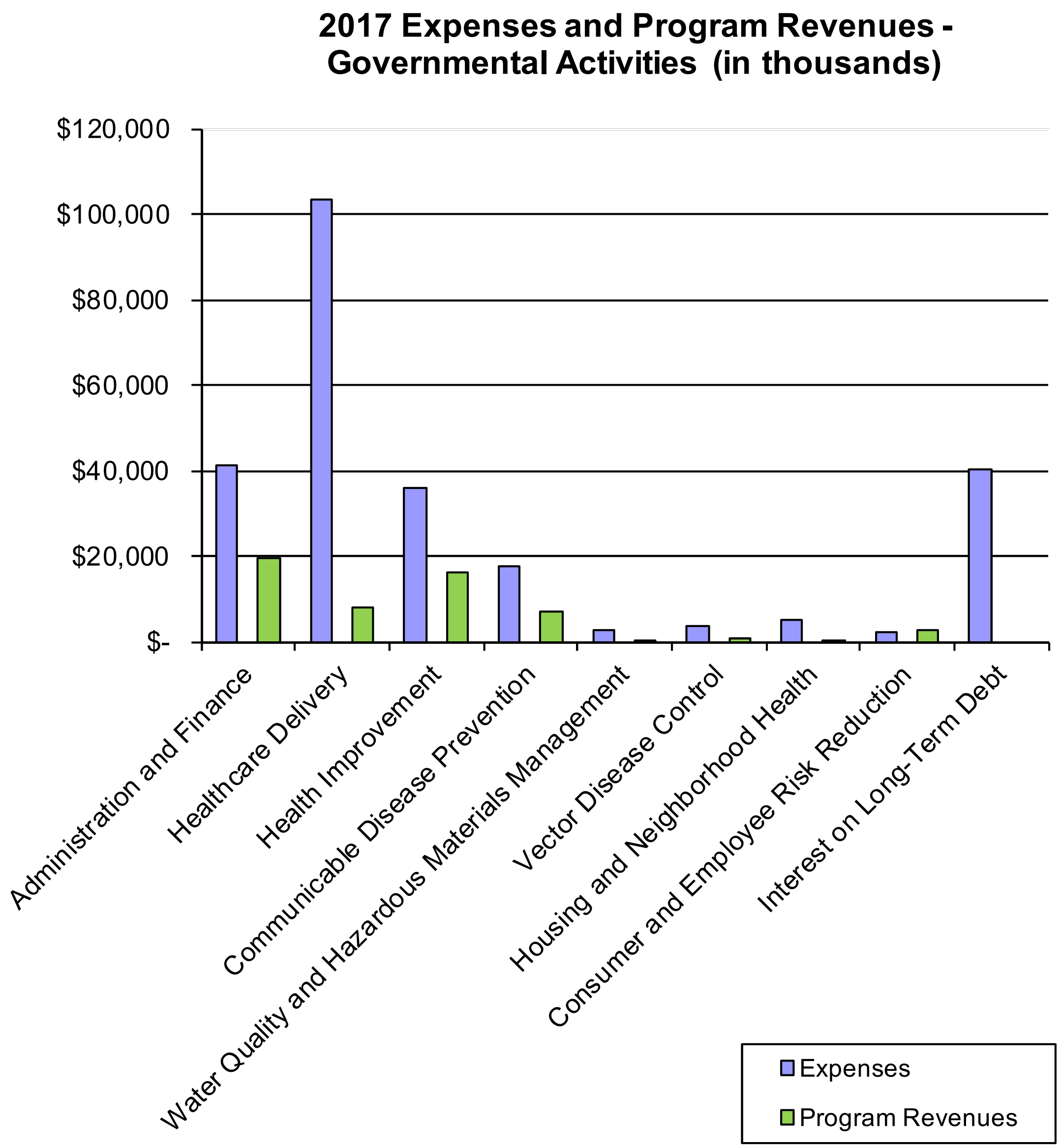
The total cost of all programs and services was $1.7 billion. This resulted in an increase in net position for the year of $121.1 million.

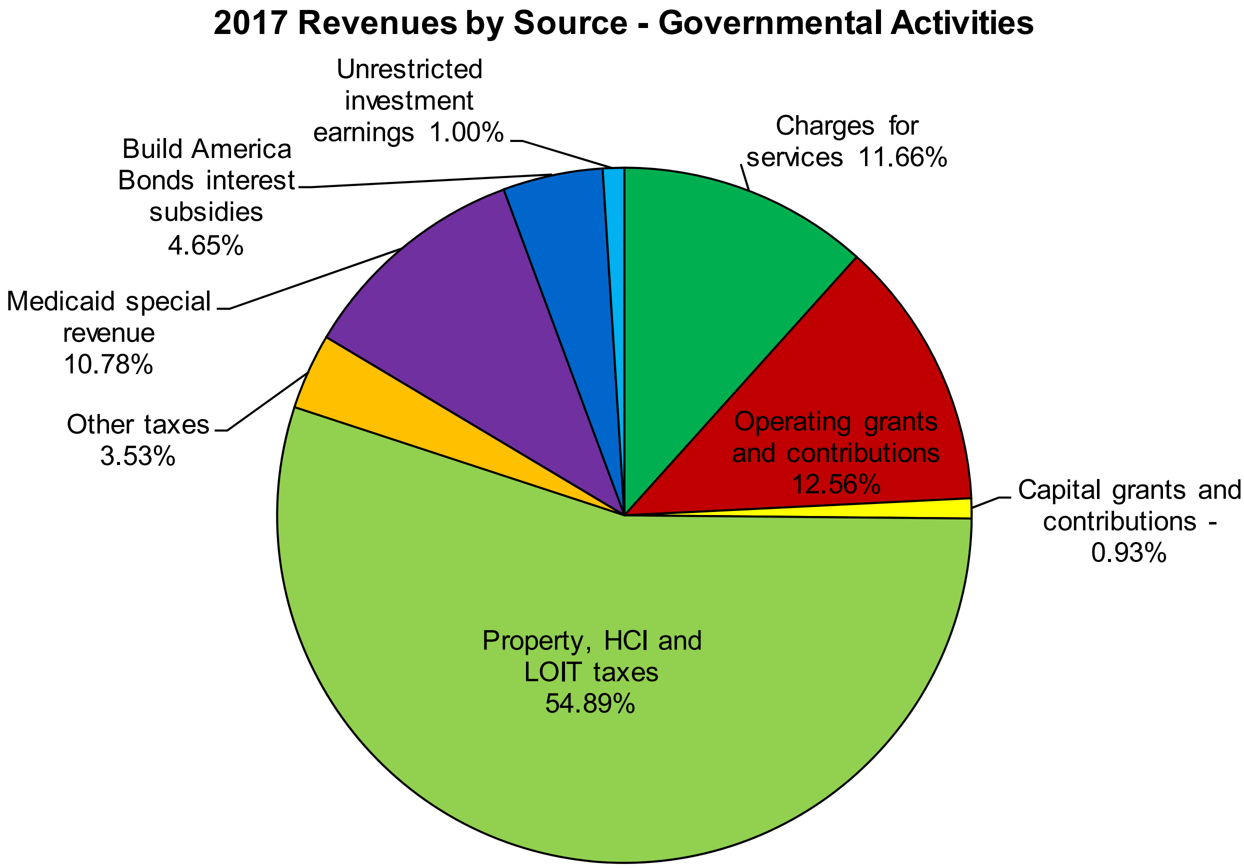
Governmental activities - Governmental activities increased the Corporation's net position by $57.2 million compared to the total $121.1 million increase in net position of the Corporation. Medicaid special revenue decreased $64.1 million from prior year due to DSH settlements being biennial in design. Government activities received $27.3 million in operating grants and contributions in 2017. Net transfers were $91.7 million, compared to $84.0 million from prior year. 2017 transfers reflect decreases in Long-Term Care Fund transfers to the General Fund and General Fund transfers to the Eskenazi Health Fund. The transfers in decrease is attributed to less Long-Term Care Medicaid special revenue due to a one-time 2016 settlement for the 17 facilities acquired in 2015. Additionally, Long-Term Care retained $40.0 million in cash to strengthen liquidity in 2017. The decrease in Eskenazi Health Fund support transfers relate to the 2016 completion of the Epic project.

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 25,346	$ 12,630	$ 1,494,546	$ 1,375,120	$ 1,519,892	$ 1,387,750
Operating grants and contributions	27,295	33,768	29,071	26,566	56,366	60,334
Capital grants and contributions	2,025	13	-	-	2,025	13
General revenues:						
Property, HCI and local option income taxes	119,300	113,931	-	-	119,300	113,931
Other taxes	7,674	7,351	-	-	7,674	7,351
Medicaid special revenue	23,429	87,487	-	-	23,429	87,487
Build America Bonds interest subsidies	10,115	10,105	-	-	10,115	10,105
Unrestricted investment earnings (losses)	2,174	316	2,344	853	4,518	1,169
Total revenues	217,358	265,601	1,525,961	1,402,539	1,743,319	1,668,140
Expenses						
Administration and finance	41,372	35,579	-	-	41,372	35,579
Healthcare delivery	103,450	120,086	-	-	103,450	120,086
Health improvement	36,061	35,062	-	-	36,061	35,062
Communicable disease prevention	17,613	17,374	-	-	17,613	17,374
Water quality and hazardous material management	2,506	2,439	-	-	2,506	2,439
Vector disease control	3,443	3,593	-	-	3,443	3,593
Housing and neighborhood health	4,953	5,055	-	-	4,953	5,055
Consumer and employee risk reduction	2,034	1,944	-	-	2,034	1,944
Interest on long-term debt	40,425	41,250	-	-	40,425	41,250
Eskenazi Health	-	-	717,858	664,886	717,858	664,886
Long-term care	-	-	719,059	717,573	719,059	717,573
Total expenses	251,857	262,382	1,436,917	1,382,459	1,688,774	1,644,841
Increase (Decrease) in Net Position Before Transfers and Special Items	(34,499)	3,219	89,044	20,080	54,545	23,299
Special item- gain on sale	-	-	66,575	-	66,575	-
Transfers	91,716	84,016	(91,716)	(84,016)	-	-
Increase (Decrease) in Net Position	57,217	87,235	63,903	(63,936)	121,120	23,299
Net Position, Beginning of Year	(183,828)	(271,063)	889,245	953,181	705,417	682,118
Net Position, End of Year	$ (126,611)	$ (183,828)	$ 953,148	$ 889,245	$ 826,537	$ 705,417

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, as well as revenues by source. As shown, healthcare delivery is the largest function in expense. General revenues such as property tax are not shown by program; but are included in the revenues by source chart to show their significance. Taxes are used to support program activities for the entire Corporation.



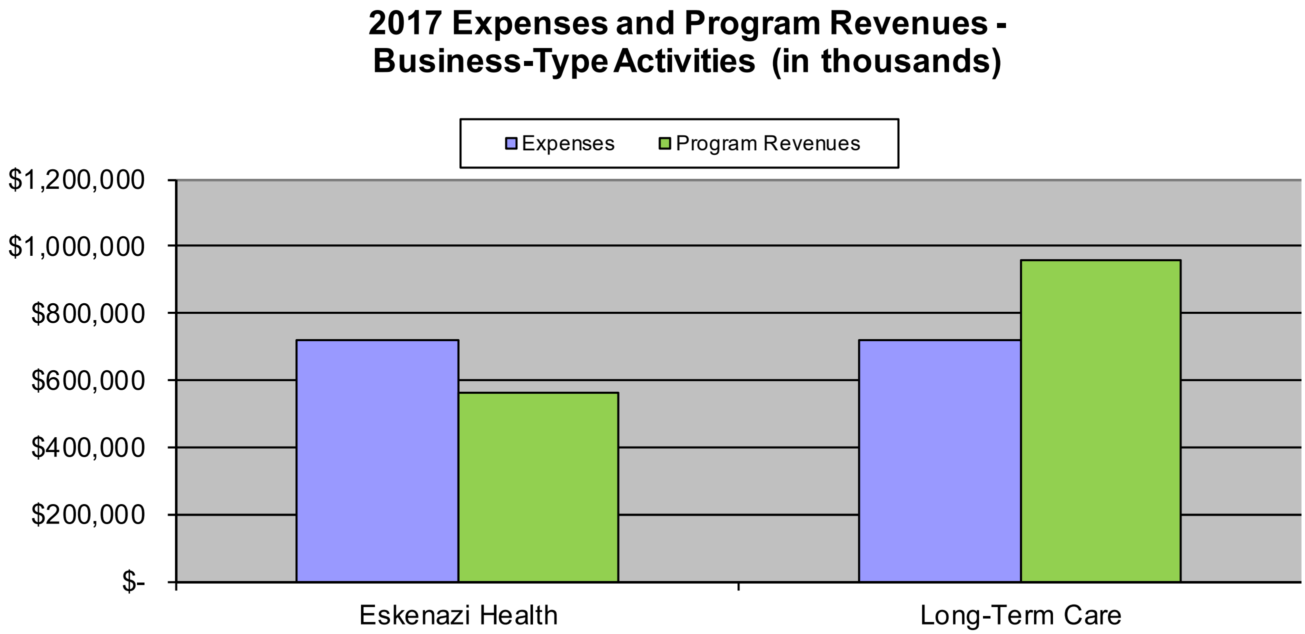


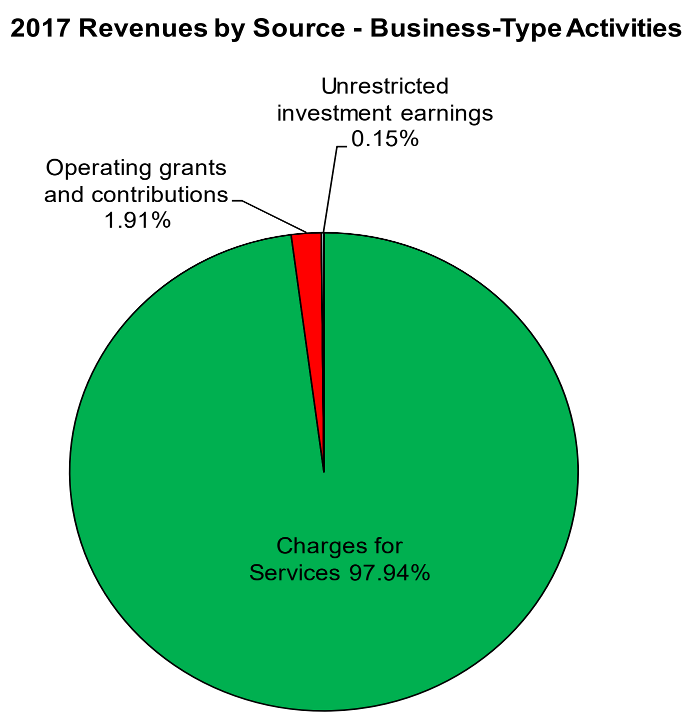
Business-type activities - Business-type activities increased the Corporation's net position by $63.9 million compared to a decrease of $63.9 million in 2016.

Eskenazi Health's net position increased by $64.2 million in the current year. Net investment in capital assets decreased by $46.0 million; increases in capital assets totaled $17.5 million, which was offset by depreciation of $63.5 million. Operating revenues increased by $151.4 million due to an increase in net patient service revenue of $102.9 million and an increase of other revenue of $48.5 million. Eskenazi Health support decreased by $68.5 million in 2017. Operating expenses increased $53.0 million due to increased staff and benefits costs and inflation costs on supplies and pharmaceuticals. Eskenazi Health incurred an operating loss of $181.5 million, which was offset by $148.6 million in transfers from the General Fund, $29.1 million in grants from various agencies, and a $66.6 million gain from divesting membership interests in MDwise and Excel joint ventures.

Long-Term Care net position was $167.5 million, which was a decrease of $0.3 million from 2016. Operating revenues decreased $31.9 million due to decreased Medicaid special revenue from a one-time settlement received in 2016 related to the 17 facilities acquired in 2015. Operating expenses increased $5.5 million over 2016. This was primarily due to increased costs related to staffing. Income before capital contributions and transfers decreased $32.6 million due to the decrease in Medicaid special revenue. Long-Term Care has $14.6 million in net investment in capital assets. All 78 facilities are recorded as capital assets under noncurrent assets.

The following charts provide a comparison of revenues and expenses, and revenues by source for the Corporation's business activities.





Financial Analysis of the Corporation's Funds

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds **-** The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year end, the Corporation's governmental funds reported combined ending fund balances of $457.8 million, an increase of $33.5 million in comparison with the prior year. Approximately 17.6% of this total amount, or $80.8 million, constitutes restricted and assigned fund balance, which is related to capital outlays for the new hospital and money set aside for debt service. Approximately 82.3% of the total amount, or $376.6 million, is unassigned fund balance. The remaining .1% of fund balance is nonspendable.

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $376.6 million, while the total fund balance increased $19.0 million to a balance of $382.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 179.7% of total General Fund expenditures, while total fund balance represents 182.4% of that same amount.

The Corporation's General Fund total fund balance increased by $19.0 million during the current fiscal year compared to a $63.8 million increase in 2016. Medicaid special revenue decreased by $62.9 million in 2017 due to DSH settlements being biennial in design. Tax revenue collections increased by $5.7 million from 2016 to 2017. Collections of property taxes, local income taxes, and excise taxes surpassed 2017 projections. Total expenditures decreased by $9.2 million in 2017 due to decreased intergovernmental expenditures. The intergovernmental expenditures decrease relates to an additional one-time IGT payment in 2016 for the 17 facilities acquired in 2015. Decreased 2017 transfers out of $68.5 million relate to Eskenazi Health's 2016 Epic project completion. Transfers in decreased by $60.8 million. The transfers in decrease is attributed to less Long-Term Care Medicaid special revenue due to a one-time 2016 settlement for the 17 facilities acquired in 2015. Additionally, Long-Term Care retained $40.0 million in cash to strengthen liquidity in 2017. The 2017 fund balance increase for the General Fund, of $19.0 million, related to 2017 taxes, investment income, and legal settlement revenue exceeding projections. Also, expenditures were under budget due to year-end initiatives not occurring during 2017.

Debt Service Fund **-** The Debt Service Fund has a fund balance of $17.4 million compared to a fund balance of $17.2 million in 2016. The net increase in fund balance during the current year was $0.2 million. 2017 debt service expenditures were less than revenues and transfers in, increasing the fund balance. The increase in fund balance is attributed to actual taxes and bond interest subsidy revenues exceeding budget estimates.

Capital Projects Fund **-** The Capital Projects Fund has a total fund balance of $58.0 million. The net increase in fund balance during the current year was $14.3 million. Transfers from the General Fund occurred at the budgeted level, while some capital projects planned for 2017 did not occur, which contributed to the Capital Projects Fund balance increase.

Proprietary Funds **-** The Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of Eskenazi Health at the end of the year was $67.7 million. Total net position for Eskenazi Health increased by $64.2 million. Other factors concerning the finances of Eskenazi Health were addressed in the discussion of the Corporation's business-type activities. Unrestricted net position of Long-Term Care at the end of the year was $152.9 million. Total net position for Long-Term Care decreased by $0.3 million. Additional information on Long-Term Care operations can be found in the discussion of the Corporation's business-type activities.

General Fund Budgetary Highlights

The original budget of $380.9 million remained unchanged during 2017, both in total and by major object of expenditure. The $380.9 million budget included $182.6 million in expenditures and $198.3 million in transfers out. Actual expenditures and transfers out totaled $321.7 million. Of the total $59.2 million underspending, $4.3 million related to supplies, $54.6 million to other charges and services (including transfers out) and $0.2 million to capital outlays. Underspending for all reflects potential year-end initiatives that did not occur. General revenues and other resources were estimated at $381.4 million, and actual was $418.0 million. Medicaid special revenue was $70.4 million over budget as expected 2016 hospital DSH settlements materialized in 2017. 2017 transfers in were $43.7 million under budget due to Long-Term Care withholding a portion of the budgeted amount to strengthen liquidity.

Capital Asset and Debt Administration

Capital Assets - The Corporation's capital assets for its governmental and business-type activities as of December 31, 2017, amount to $1.1 billion (net of accumulated depreciation), compared to $1.2 billion at the end of 2016. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles and construction in progress.

Additional information on the Corporation's capital assets can be found below and in Note 9 to the financial statements.

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 4,095	$ 4,095	$ 9,723	$ 9,723	$ 13,818	$ 13,818
Land improvements	-	-	61,469	66,568	61,469	66,568
Buildings and improvements	12,329	13,314	884,492	950,443	896,821	963,757
Equipment	4,651	4,999	147,572	159,904	152,223	164,903
Vehicles	1,120	940	3,341	3,171	4,461	4,111
Construction in progress	4,812	1,411	13,191	16,256	18,003	17,667
Total assets	$ 27,007	$ 24,759	$ 1,119,788	$ 1,206,065	$ 1,146,795	$ 1,230,824

Long-Term Debt - At the end of 2017, the Corporation had total general obligation debt outstanding of $186.3 million. Moody's Investors Service rates the Corporation's general obligation debt "Aa1".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is $251.7 million. Outstanding general obligation debt (excluding premiums) at December 31, 2017 represents 72.7% of this limit.

Additional information on the Corporation's long-term debt can be found in Note 11 of this report.

	(dollars in thousands)					
	Governmental Activities		**Business-Type Activities**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
1988 renovation bonds	$ 4,240	$ 6,140	$ -	$ -	$ 4,240	$ 6,140
2005 general obligation bonds	13,895	15,520	-	-	13,895	15,520
2010 general obligation bonds	164,945	166,270	-	-	164,945	166,270
Unamortized bond premiums	3,256	3,439	-	-	3,256	3,439
Capital leases	443,946	454,335	387,200	440,737	831,146	895,072
Total long-term debt	$ 630,282	$ 645,704	$ 387,200	$ 440,737	$ 1,017,482	$ 1,086,441

Economic Factors and Next Year's Budgets and Rates

The 2018 original budget for all annually budgeted funds is $444.6 million. No revisions have been made through June 2018. The 2018 General Fund budget is $373.8 million. The 1.9% decrease from the 2017 final General Fund budget of $380.9 million reflects a decrease in projected operating transfers to the Eskenazi Health Fund. The budget for the Corporation will continue to be challenged by increasing expenditures and declining revenue in the form of property tax caps.

Requests for Information

This financial report is designed to provide a general overview of the Health and Hospital Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 3838 N. Rural, Indianapolis, Indiana, 46205.

Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Net Position
December 31, 2017

(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 220,691	$ 477,765	$ 698,456
Investments	-	5,181	5,181
Receivables, net:			
Patient services	-	110,626	110,626
Medicaid special revenue	5,061	70,863	75,924
Grants	4,377	9,039	13,416
Other	8,109	7,187	15,296
Internal balances	244,168	(244,168)	-
Inventories	-	5,783	5,783
Joint venture escrow	-	35,473	35,473
Estimated Medicare/Medicaid settlements	-	33,689	33,689
Prepaid costs and other assets	348	11,147	11,495
Restricted cash and cash equivalents	16,211	-	16,211
Restricted investments	-	6,455	6,455
Lease acquisition costs (net of accumulated amortization)	-	15,559	15,559
Joint venture investments	37,921	6,916	44,837
Other long-term assets	13,500	3,568	17,068
Capital assets (net of accumulated depreciation):			
Land	4,095	9,723	13,818
Land improvements	-	61,469	61,469
Buildings and improvements	12,329	884,492	896,821
Equipment	4,651	147,572	152,223
Vehicles	1,120	3,341	4,461
Construction in progress	4,812	13,191	18,003
Total assets	577,393	1,674,871	2,252,264
Deferred Outflows of Resources	8,925	30,165	39,090
Liabilities			
Accounts payable	32,975	71,585	104,560
Restricted accounts payable	185	-	185
Accrued liabilities	2,368	31,970	34,338
Unearned revenue	411	17,142	17,553
Estimated Medicare/Medicaid settlements	-	12,632	12,632
Medical claims incurred but not reported	-	13,887	13,887
Long-term liabilities:			
Due within one year	22,567	87,485	110,052
Due in more than one year	654,067	503,975	1,158,042
Total liabilities	712,573	738,676	1,451,249
Deferred Inflows of Resources	356	13,212	13,568
Net Position			
Net investment in capital assets	22,108	732,588	754,696
Restricted for:			
Health services	243	-	243
Unrestricted	(148,962)	220,560	71,598
Total net position	$ (126,611)	$ 953,148	$ 826,537

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Activities
For the Year Ended December 31, 2017

(Dollars in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administration and finance	$ 41,372	$ 17,514	$ -	$ 2,000	$ (21,858)	$ -	$ (21,858)
Healthcare delivery	103,450	-	8,048	-	(95,402)	-	(95,402)
Health improvement	36,061	3,594	12,381	-	(20,086)	-	(20,086)
Communicable disease prevention	17,613	562	6,453	25	(10,573)	-	(10,573)
Water quality and hazardous materials management	2,506	366	110	-	(2,030)	-	(2,030)
Vector disease control	3,443	722	-	-	(2,721)	-	(2,721)
Housing and neighborhood health	4,953	92	205	-	(4,656)	-	(4,656)
Consumer and employee risk reduction	2,034	2,496	98	-	560	-	560
Interest on long-term debt	40,425	-	-	-	(40,425)	-	(40,425)
Total governmental activities	251,857	25,346	27,295	2,025	(197,191)	-	(197,191)
Business-Type Activities							
Eskenazi Health	717,858	536,369	29,071	-	-	(152,418)	(152,418)
LT Care	719,059	958,177	-	-	-	239,118	239,118
Total business-type activities	1,436,917	1,494,546	29,071	-	-	86,700	86,700
Total	$ 1,688,774	$ 1,519,892	$ 56,366	$ 2,025	(197,191)	86,700	(110,491)
General revenues:							
Property and local income taxes					81,300	-	81,300
Health Care for the Indigent taxes					38,000	-	38,000
Excise taxes					6,413	-	6,413
Financial institution taxes					1,261	-	1,261
Medicaid special revenue (unrestricted)					23,429	-	23,429
Build America Bonds interest subsidies					10,115	-	10,115
Unrestricted investment earnings					2,174	2,344	4,518
Special item- gain on sale					-	66,575	66,575
Transfers					91,716	(91,716)	-
Total general revenues and transfers					254,408	(22,797)	231,611
Change in net position					57,217	63,903	121,120
Net position - beginning of year					(183,828)	889,245	705,417
Net position - end of year					$ (126,611)	$ 953,148	$ 826,537

See Notes to Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Balance Sheet - Governmental Funds
December 31, 2017
(Dollars in thousands)

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 161,335	$ 1,208	$ 58,148	$ 220,691
Restricted cash and cash equivalents	-	16,211	-	16,211
Receivables (net of allowance for uncollectibles):				
Grants	4,377	-	-	4,377
Medicaid special revenue	5,061	-	-	5,061
Other	3,043	5,065	1	8,109
Due from other funds	249,234	-	-	249,234
Prepaid costs and other assets	348	-	-	348
Other long-term receivables	13,500	-	-	13,500
Total assets	$ 436,898	$ 22,484	$ 58,149	$ 517,531
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 32,975	$ -	$ 185	$ 33,160
Salaries and related benefits	2,368	-	-	2,368
Unearned revenue	411	-	-	411
Due to other funds	-	5,066	-	5,066
Accrued self-insurance claims	620	-	-	620
Total liabilities	36,374	5,066	185	41,625
Deferred Inflows of Resources				
Unavailable revenues	18,147	-	1	18,148
Fund Balances				
Nonspendable	348	-	-	348
Restricted for debt service	-	16,211	-	16,211
Assigned	5,397	1,207	57,963	64,567
Unassigned	376,632	-	-	376,632
Total fund balances	382,377	17,418	57,963	457,758
Total liabilities, deferred inflows of resources and fund balances	$ 436,898	$ 22,484	$ 58,149	

Amounts reported for governmental activities in the statement of net position are different because:	
Net capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund statements	27,007
Joint venture investments are not financial resources and therefore are not reported in the fund statements	37,921
Net pension liability is not due and payable in the current period and therefore is not recorded in the funds statement	(37,999)
Deferred inflows of resources not meeting availability criteria in fund statements are not in the statement of net position	18,147
Deferred inflows of resources related to pension are not available to pay for current period expenditures and therefore are not reported in the fund statements	(356)
Deferred outflows of resources are not financial resources and therefore are not reported in the fund statements and include:	
Loss on refunding	466
Pension	8,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements (excludes matured bond principal and interest)	(638,014)
Net position of governmental activities	$ (126,611)

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2017

(Dollars in thousands)

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Taxes	$ 121,939	$ 4,814	$ 221	$ 126,974
Licenses and permits	4,576	-	-	4,576
Intergovernmental	19,343	-	-	19,343
Charges for services	1,456	-	-	1,456
Medicaid special revenue	26,581	-	-	26,581
Investment income	3,360	57	482	3,899
Build America Bonds interest subsidies	-	10,115	-	10,115
Contributions	8,048	-	-	8,048
Miscellaneous	7,468	-	2,000	9,468
Total revenues	192,771	14,986	2,703	210,460
Expenditures				
Current				
Administrative	42,008	-	-	42,008
Population health	26,620	-	-	26,620
Environmental health	11,781	-	-	11,781
Health center program	896	-	-	896
Data processing	4,940	-	-	4,940
Grant programs	18,412	-	-	18,412
Capital outlays	1,491	-	3,377	4,868
Debt service				
Principal	-	15,239	-	15,239
Interest and fiscal charges	-	40,497	-	40,497
Intergovernmental	103,450	-	-	103,450
Total expenditures	209,598	55,736	3,377	268,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,827)	(40,750)	(674)	(58,251)
Other Financing Sources (Uses)				
Transfers in	240,329	40,933	15,000	296,262
Transfers out	(204,546)	-	-	(204,546)
Total other financing sources and uses	35,783	40,933	15,000	91,716
Net change in fund balances	18,956	183	14,326	33,465
Fund balances - beginning of year	363,421	17,235	43,637	424,293
Fund balances - end of year	$ 382,377	$ 17,418	$ 57,963	$ 457,758

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities
For the Year Ended December 31, 2017

(Dollars in thousands)

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	33,465
Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities		(2,620)
Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position		4,868
Changes in joint venture investment are reported in the statement of net position but are not reported in the fund statements		812
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements		8,614
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items		15,239
Compensated absences that do not require the use of current financial resources are not reported as expenditures in the fund statements		(299)
Portion of pension expense in the statement of activities that does not require the use of current financial resources and therefore is not reported as an expenditure in the fund statements		(2,946)
Asserted and unasserted self-insurance claims that do not require the use of current financial resources are not reported as expenditures in the fund statements		84
Change in net position of governmental activities	$	57,217

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Net Position - Proprietary Funds
December 31, 2017

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 166,402	$ 311,363	$ 477,765
Investments	5,181	-	5,181
Receivables (net of allowance for uncollectibles):			
Patient services	59,882	50,744	110,626
Medicaid special revenue	-	70,863	70,863
Grants	9,039	-	9,039
Other	7,153	34	7,187
Estimated Medicare/Medicaid settlements	33,689	-	33,689
Inventories	5,783	-	5,783
Joint venture escrow	35,473	-	35,473
Prepaid costs and other assets	6,982	4,165	11,147
Total current assets	329,584	437,169	766,753
Noncurrent assets:			
Lease acquisition cost (net of accumulated amortization)	-	15,559	15,559
Joint venture investments	6,916	-	6,916
Investments restricted for deferred compensation	6,455	-	6,455
Other long-term assets	-	3,568	3,568
Nondepreciable capital assets	21,942	972	22,914
Depreciable capital assets (net of accumulated depreciation)	696,064	400,810	1,096,874
Total noncurrent assets	731,377	420,909	1,152,286
Total assets	1,060,961	858,078	1,919,039
Deferred Outflows of Resources	30,165	-	30,165
Total assets and deferred outflows of resources	1,091,126	858,078	1,949,204
Liabilities			
Current liabilities:			
Accounts payable	44,365	27,220	71,585
Accrued liabilities	20,833	11,137	31,970
Due to other funds	3,822	240,346	244,168
Capital lease obligation - current	-	58,048	58,048
Estimated Medicare/Medicaid settlements	5,915	6,717	12,632
Unearned revenue	17,142	-	17,142
Medical claims incurred but not reported	13,887	-	13,887
Accrued compensated absences - current	18,614	-	18,614
Asserted and unasserted self-insurance claims - current	5,691	5,132	10,823
Total current liabilities	130,269	348,600	478,869
Noncurrent liabilities:			
Asserted and unasserted self-insurance claims	3,612	12,868	16,480
Accrued compensated absences	5,784	-	5,784
Net pension liability	146,104	-	146,104
Deferred compensation	6,455	-	6,455
Capital lease payable	-	329,152	329,152
Total noncurrent liabilities	161,955	342,020	503,975
Total liabilities	292,224	690,620	982,844
Deferred Inflows of Resources	13,212	-	13,212
Total liabilities and deferred inflows of resources	305,436	690,620	996,056
Net Position			
Net investment in capital assets	718,006	14,582	732,588
Unrestricted	67,684	152,876	220,560
Total net position	$ 785,690	$ 167,458	$ 953,148

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds

For the Year Ended December 31, 2017

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 510,402	$ 677,031	$ 1,187,433
Medicaid special revenue	-	279,213	279,213
Other revenue	25,967	1,933	27,900
Total operating revenues	536,369	958,177	1,494,546
Operating expenses:			
Salaries	294,943	-	294,943
Employee benefits	92,512	-	92,512
Contract labor	2,856	387,244	390,100
Medical and professional fees	65,419	8,367	73,786
Purchased services	34,544	44,014	78,558
Supplies	60,292	48,235	108,527
Pharmaceuticals	47,370	15,353	62,723
Repairs and maintenance	8,408	5,614	14,022
Utilities	12,843	15,648	28,491
Equipment rental	5,263	11,307	16,570
Depreciation and amortization	63,539	81,666	145,205
Provider assessment fee	10,399	30,724	41,123
Other	19,470	37,857	57,327
Total operating expenses	717,858	686,029	1,403,887
Operating income (loss)	(181,489)	272,148	90,659
Nonoperating revenue (expenses):			
Noncapital gifts and grants	29,071	-	29,071
Investment income	1,441	903	2,344
Interest expense	-	(33,030)	(33,030)
Total nonoperating revenue (expense)	30,512	(32,127)	(1,615)
Increase (decrease) in net position before special item and transfers	(150,977)	240,021	89,044
Special item - gain on sale	66,575	-	66,575
Transfers - General Fund	148,613	(240,329)	(91,716)
Changes in net position	64,211	(308)	63,903
Total net position - beginning of year	721,479	167,766	889,245
Total net position - end of the year	$ 785,690	$ 167,458	$ 953,148

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2017

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Cash Flows From Operating Activities			
Receipts from patient services	$ 483,608	$ 648,617	$ 1,132,225
Receipts from other operations	30,231	1,934	32,165
Medicaid special revenue	-	279,543	279,543
Payments to suppliers	(301,047)	(131,941)	(432,988)
Payments to employees, contract labor, professional fees and purchased services	(381,221)	(439,478)	(820,699)
Net cash provided by (used in) operating activities	(168,429)	358,675	190,246
Cash Flows From Noncapital Financing Activities			
Cash receipts from noncapital gifts and grants	28,701	-	28,701
Transfers from (to) the General Fund	148,613	(275,435)	(126,822)
Net cash provided by (used in) noncapital financing activities	177,314	(275,435)	(98,121)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(17,495)	(37,393)	(54,888)
Deposits paid	-	(1,359)	(1,359)
Deposits returned	-	1,221	1,221
Payment of capital lease obligations	-	(53,537)	(53,537)
Contributions restricted for fixed asset purchase	(12)	-	(12)
Interest expense payments	-	(33,030)	(33,030)
Net cash used in capital and related financing activities	(17,507)	(124,098)	(141,605)
Cash Flows From Investing Activities			
Proceeds from sale and maturities of investments	4,778	-	4,778
Purchases of investments	(5,461)	-	(5,461)
Interest and dividends received	1,066	903	1,969
Contributions to joint venture	(21,560)	-	(21,560)
Proceeds from sale of membership interests	49,108	-	49,108
Other payments associated with sale of membership interests	(1,713)	-	(1,713)
Net cash provided by investing activities	26,218	903	27,121
Net Increase (Decrease) in Cash and Cash Equivalents	17,596	(39,955)	(22,359)
Cash and Cash Equivalents, January 1	148,806	351,318	500,124
Cash and Cash Equivalents, December 31	$ 166,402	$ 311,363	$ 477,765
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (181,489)	$ 272,148	$ 90,659
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	63,539	81,666	145,205
Increase in carrying value of joint venture	(2,302)		(2,302)
Changes in operating assets and liabilities:			
Patient service receivables	(696)	2,656	1,960
Other receivables	6,566	331	6,897
Inventories	(255)	-	(255)
Prepaid costs and other assets	816	32	848
Deferred inflows and outflows of resources - pension	23,577	-	23,577
Net pension liability	(19,522)	-	(19,522)
Accounts payable	(26,715)	(1,519)	(28,234)
Accrued liabilities and compensated absences	(883)	(2,428)	(3,311)
Estimated Medicare/Medicaid settlements	(23,036)	2,677	(20,359)
Asserted and unasserted self-insurance claims	1,003	3,112	4,115
Medical claims incurred but not reported	(9,032)	-	(9,032)
Total adjustments	13,060	86,527	99,587
Net cash provided by (used in) operating activities	$ (168,429)	$ 358,675	$ 190,246
Noncash investing, capital and financing activities:			
Deferred compensation payouts from investments	$ 176	$ -	$ 176
Unrealized loss on investments, net	(375)	-	(375)
Noncash asset received as a component of gain from sale of joint venture	35,473	-	35,473

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

Financial Reporting Entity

The Health and Hospital Corporation of Marion County, Indiana (Corporation) was created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. The Corporation is a municipal corporation and a political subdivision of the State of Indiana under Indiana Code §16-22-8-6, §6-1.1-1-12 and §36-1-2-23. The Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov).

The Corporation's duties include the administration of the Divisions of Public Health and Public Hospitals. The Division of Public Health does business as the Marion County Public Health Department (MCPHD), and the Division of Public Hospitals does business as Eskenazi Health. Overall, the Corporation operates three service divisions: MCPHD, Eskenazi Health and a Long-Term Care (Long-Term Care) operation.

The MCPHD operates two service bureaus, which provide preventive and diagnostic health programs, health education, immunization and epidemiological programs, environmental health regulation, and code enforcement. The MCPHD division is accounted for using governmental funds.

Eskenazi Health is comprised of the Sidney and Lois Eskenazi Hospital, a 336 bed general acute care hospital; the Eskenazi Health Outpatient Care Center, an outpatient specialty care facility co-located with the Hospital; the Eskenazi Health Center, a Federally Qualified Health Center (FQHC) that operates ten primary care centers throughout Marion County; Midtown Community Mental Health, a Community Mental Health Center (CMHC) that provides behavioral health services throughout Marion County; and Indianapolis EMS (IEMS), the county-wide emergency ambulance service. Eskenazi Health is the only public hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association.

In accordance with an interlocal agreement with the City of Indianapolis, Department of Public Safety, the Corporation agreed to own, manage and operate the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS). The activities of Indianapolis EMS are therefore included in the Eskenazi Health division. For purposes of financial reporting, the Eskenazi Health division is accounted for as a separate enterprise fund.

The Corporation operates 78 long-term care facilities through capital leases. The facilities are operated as part of the Long-Term Care operations. Long-Term Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. For purposes of financial reporting, the Long-Term Care division is accounted for as a separate enterprise fund.

The Corporation is governed by a seven-member Board of Trustees, appointed by the Mayor of Indianapolis (3), Commissioners of Marion County (2) and City-County Council (2). Of those members appointed by the City-County Council, one serves a two-year term, and one serves a four-year term. All other appointments serve a term of four years. The Board of Trustees is bi-partisan by statute. The Corporation is responsible for all of its fiscal matters including budget (subject to the final authority of the City-County Council and the State of Indiana Department of Local Government Finance (DLGF)), operating deficits and debt. The Corporation's executive and legislative powers include the power to levy taxes and incur debt. The Corporation's ordinances have the effect of local law governing health matters.

Component Units

The Corporation has established a nonprofit entity, Lions Insurance Company (Lions), which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the Long-Term Care Enterprise Fund because its primary purpose is to provide services solely to the Long-Term Care Enterprise Fund.

Eskenazi Medical Group, Inc. (EMG) is a nonprofit entity, which is legally separate from the Corporation and whose purpose is to provide a patient-based, clinical setting needed for the education of medical students. EMG employs and contracts with physicians who are then contracted for service at Eskenazi Health facilities. The organizational documents of EMG give the Corporation significant influence and abilities within the governance structure of EMG and the Corporation also has members of management who serve as board members for EMG. This and a combination of other facts and circumstances resulted in the conclusion that EMG is a component unit of the Corporation. Because EMG's primary purpose is to provide services solely to Eskenazi Health, EMG must be blended into the Corporation's financial statements as if it were a part of the Eskenazi Health Enterprise Fund.

Complete financial statements for Lions and EMG may be obtained from Health and Hospital Corporation at 3838 N. Rural Street, Indianapolis, Indiana 46205.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) incorporate data from all of the primary government's governmental and proprietary funds, as well as from all of its blended component units. All significant interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Following the government-wide financial statements are separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Corporation considers all of its governmental funds to be major funds. The total fund balances for all governmental funds are reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balances for all governmental funds is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The Corporation’s two enterprise funds (business-type activities), Eskenazi Health and Long-Term Care, are also considered to be major funds for reporting purposes.

The fund financial statements of the Corporation are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net position, revenues, and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by fund type in the basic financial statements. The following fund types are used by the Corporation:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Corporation reports the following governmental funds:

The General Fund is the Corporation’s primary operating fund. It accounts for all financial resources of the Corporation, including grants, except those required to be accounted for in another fund.

The Debt Service Fund is used to account for and report the accumulation of financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on outstanding general obligation bond and other long-term debt of the Corporation’s governmental activities. Debt service requirements are generally funded from other operating revenues and ad valorem taxes.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Such resources are derived principally from general obligation bonds, capital lease obligations and ad valorem taxes.

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those found in the private sector.

As mentioned previously, the Corporation has two enterprise funds: (1) the Eskenazi Health Enterprise Fund, which accounts for the activities of Eskenazi Health (including Indianapolis EMS) and (2) the Long-Term Care Enterprise Fund, which accounts for the activities of the 78 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Eskenazi Health and Long-Term Care are accounted for by the General Fund. Because the debt that has been incurred on behalf of Eskenazi Health is to be repaid from General Fund revenues, long-term debt interest expense relating to Eskenazi Health is accounted for by the Debt Service Fund and is not allocated to the Eskenazi Health Enterprise Fund. Only debt intended to be repaid by operations of Eskenazi Health are included in the Eskenazi Health Enterprise Fund. At December 31, 2017, no such debt existed. At December 31, 2017, the Long-Term Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the Long-Term Care Enterprise Fund.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year the levy and tax rates are certified. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the Corporation considers revenue to be available if collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, (GASB 33), groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions.

In the governmental fund statements, the Corporation recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the resources are available. Resources received in advance are reported as unearned revenues until the period of the exchange in both the government-wide and fund financial statements.

The Corporation recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Corporation recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period in which the tax levy and rates are certified. Imposed nonexchange revenues also include permits.

Voluntary nonexchange transactions, such as grants and assistance received from other governmental units and Build America Bonds interest subsidies, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

Government-mandated nonexchange transactions are accounted for in the same manner as voluntary nonexchange transactions.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting for proprietary fund types, revenues are recognized in the period earned and expenses are recognized in the period incurred. Patient services accounts receivable and revenue are recorded at standard billing rates, net of contractual adjustments and allowance for uncollectible accounts, when patient services are performed. Eskenazi Health and Long-Term Care provide services under the Medicare and Medicaid programs for which they may be reimbursed at amounts different from the standard billing rates. Amounts reimbursed or estimated to be reimbursed by these programs are generally determined in accordance with a prospective price-per-case payment system or under the provisions of cost-reimbursement formulas. In addition, Eskenazi Health and Long-Term Care provide services in accordance with various contractual agreements entered into with state and local governmental agencies and other third-party health insurance companies.

The differences between standard billing rates and the amount reimbursed or estimated to be reimbursed by Medicare, Medicaid and other contractual payers are included in the financial statements as contractual adjustments. Additional allowances are made for patients that will be unable or unwilling to pay their bills. Patient accounts receivable for services provided under contractual arrangements are also adjusted to reflect these differences.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services for Eskenazi Health and Long-Term Care are considered to be operating activities and are reported as operating revenue and operating expenses. Investment income, interest expense, and peripheral or incidental transactions are reported as nonoperating revenue and expenses. Other changes in net position that are excluded from operating income (loss) principally consist of contributions of capital assets funded by governmental activities, grantors and donors.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Cash Equivalents and Investments

The Corporation's cash and cash equivalents (including those that are restricted) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of purchase.

Investments for the Corporation are reported at fair value.

Receivables and Payables

In the fund financial statements, all outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All receivables are shown, net of an allowance, if any, for uncollectible balances.

Inventories

Purchases of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such governmental funds are immaterial. For the enterprise fund type, pharmaceutical, central supply and sterile supply inventories of the Eskenazi Health Enterprise Fund are determined by physical count of items on hand and are priced at weighted-average cost. Inventory in the Long-Term Care Fund is immaterial.

Prepaid Costs and Other Assets

Prepaid costs and other assets include prepaid insurance, prepaid service contracts and other miscellaneous assets.

Capital Assets

Capital assets, which include buildings, improvements, equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements and within the proprietary fund financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than $5 and an estimated useful life in excess of two years.

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value as of the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the estimated useful life of the asset are not capitalized.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Assets held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Estimated useful lives used to compute depreciation are as follows:

	Years
Building and improvements	10 - 50
Equipment	5 - 20
Vehicles	4

Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental fund types. During 2017, there was no interest capitalized.

Other Long-Term Assets

Other long-term assets consist of a settlement agreement receivable as more fully described in Note 18 as well as deposits made related to the leasing of nursing homes required under vendor contracts as well as funds required under escrow agreements for certain leased facilities.

Unearned Revenue

Unearned revenue is reported in the government-wide financial and enterprise fund statements. The availability period does not apply; however, amounts may not be considered earned due to eligibility requirements or other reasons.

Accrued Compensated Absences

Corporation employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and other absences are accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. A liability for the cost of accumulated earned but unused vacation and other absences is recognized in the government-wide statements and in the statement of net position of the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts are recorded as an addition to or reduction from, respectively, the associated debt obligation and are amortized over the term of the respective bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt are reported as other financing uses, while issuance costs, whether or not withheld from the actual debt proceeds received, and repayments of principal and interest are reported as debt service expenditures.

Lease Acquisition Costs

The Corporation allocates the purchase price of properties acquired under capital leases to net tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (primarily equipment) is based upon management’s determination of the value of the property. The remaining purchase price is allocated to lease acquisition costs. These costs are amortized over the life of the related lease.

Cost-Sharing Defined-Benefit Pension Plan

The Corporation participates in a cost-sharing, multiple-employer defined-benefit pension plan (Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Transactions

In the fund financial statements, the Corporation has the following types of transactions among funds:

Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

Contribution of Capital Assets

The General and Capital Project Funds make contributions of capital assets to the Eskenazi Health Enterprise Fund from time to time. The enterprise fund reports these transactions as capital contributions; however, the General or Capital Project Funds do not report the event because there has been no flow of current financial resources for the governmental fund statements other than the expenditures incurred during the year of capital outlay. In the government-wide statement of activities, both sides of the capital asset transfer are reported as transfers.

Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the Corporation.

Within the statement of activities, direct expenses are not eliminated from the various functional categories. However, indirect expenses are eliminated.

Certain internal payments are treated as a reduction of expense, such as reimbursements. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

Net Position/Fund Balances

The government-wide and proprietary fund financial statements utilize a net position presentation. The components of net position are categorized as follows:

- *Net investment in capital assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Governmental activities debt related to business-type activities is not recorded in this category; rather, this debt is included in unrestricted net position.
- *Restricted* - This category represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This category represents resources of the Corporation not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance classifications reflect a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Corporation's fund balances include the following:

- **Nonspendable fund balances** include amounts that cannot be spent because they are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balances** are reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balances** represent resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Trustees, whereby such constraints can only be modified through formal action (by ordinance) of the Board of Trustees.
- **Assigned fund balances** include resources for which it is the intent of the Corporation, through action of the President or Treasurer/CFO, that they be used for specific purposes. The Board of Trustees has by ordinance authorized such individuals to assign fund balances. Such constraints can be modified or rescinded without formal action of the Board of Trustees as long as they do not result in an additional budgetary appropriation. The general fund assigned fund balances are entirely made up of encumbrances and totaled $5,397 at December 31, 2017.

- **Unassigned fund balances** represent the residual portion of the General Fund that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance, if other governmental funds incurred expenditures for specific purposes that exceed the amounts that are restricted, committed or assigned for those purposes, those funds may have a negative unassigned fund balance.

The Corporation's policy is to apply expenditures to restricted resources first, then committed, then assigned, and finally to unassigned, as applicable.

Indigent Care Services

Under Indiana Code (§16-22-8-39), the services provided by Eskenazi Health are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits. Certain services to patients are classified as indigent care based on established policies of Eskenazi Health. Because Eskenazi Health does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

Eskenazi Health maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges forgone for services and supplies furnished under its indigent care policy. The costs of charity care provided under the corporation's indigent care policy was approximately $92,000 during 2017. The cost of indigent care is estimated by applying a ratio of cost to gross charges to the gross uncompensated charges.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as amounts are no longer subject to such audits and reviews.

Use of Estimates

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

Future Accounting Standards

In 2018, the Corporation will implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement requires governments to recognize their unfunded accrued OPEB obligation on the face of their financial statements along with incorporating more extensive note disclosures and required supplementary information about their OPEB liabilities.

In 2018, the Corporation will implement GASB Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have arisen during implementation of other GASB standards, including blending of component units for business-type activities that report in a single column, presentation of goodwill from acquisitions that occurred prior to GASB 69, valuation of money market and certain other investments, and certain issues relating to pensions and other postemployment benefits.

In 2018, the Corporation will implement GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement eliminates an inconsistency in the literature related to in-substance defeasance of debt and allows defeasance treatment even if the government uses existing assets and does not issue new debt.

In 2019, the Corporation will implement GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement standardizes requirements on the recognition and measurement for asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability.

In 2020, the Corporation will implement GASB Statement No. 87, *Leases*. The statement provides a new framework for accounting for leases under the principal that leases are financings and lessees should recognize an intangible asset and a corresponding liability while the lessor will recognize a lease receivable and related deferred inflows of resources.

The Corporation has not yet determined the impact of these standards on their financial statements, however, they could have a material future impact.

(Dollars in thousands)

Note 2: Deposits and Investments

As of December 31, 2017, the Corporation, including its blended component units, had the following cash deposits and investments:

Cash deposits	$	543,687
Negotiable certificates of deposit		1,525
Repurchase agreements		6,469
State external investment pool		164,511
U.S. Government obligations		250
U.S. Government-sponsored enterprises		25
Equity mutual funds		6,455
Equity securities		2,992
Corporate bonds		296
Money market mutual funds		93
Total deposits and investments	$	726,303

Deposits and investment securities included in the statement of net position are classified as follows:

		2017
Carrying value		
Deposits	$	543,687
Investments		182,616
	$	726,303
Cash and cash equivalents		
Unrestricted	$	698,456
Restricted		16,211
		714,667
Investments		
Unrestricted		5,181
Restricted		6,455
	$	726,303

Deposits

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

The Corporation's cash deposits are insured up to $250 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the $250 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Types of Investments Authorized

Indiana statutes generally authorize the Corporation to invest in United States obligations and issues of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, municipal securities of Indiana issuers that have not defaulted during the previous 20 years, certificates of deposit and open-end money market mutual funds. Indiana statutes do not apply to the blended component units of the Corporation, which may invest in securities other than the aforementioned types of investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Corporation's investment policy for interest rate risk requires amounts to be invested in a prudent manner to achieve maximum yield return available from approved government obligations with due regard to the specific purpose for which the funds are intended and needed. In regard to mitigating interest rate risk, the Corporation is permitted to invest in securities with a stated maturity of more than two years but not more than five years, provided such investments in this group comprise no more than 25% of the total portfolio available for investment. In accordance with Indiana statutes, this policy will expire four years from its effective date of May 20, 2015.

(Dollars in thousands)

Below is a table of segmented time distribution for the Corporation's debt investments at December 31, 2017:

		Investment Activities (in years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	$ 6,469	$ 6,469	$ -	$ -	$ -
State external investment pool	164,511	164,511	-	-	-
U.S. Government obligations	250	250	-	-	-
U.S. Government-sponsored enterprises	25	-	-	5	20
Corporate bonds	296	107	189	-	-
Money market mutual funds	93	93	-	-	-
	$ 171,644	$ 171,430	$ 189	$ 5	$ 20

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policy for credit risk requires compliance with the provisions of Indiana statutes which, among other things, stipulates that the Corporation only invest in money market mutual funds that are rated AAAm by Standard and Poor's or Aaa by Moody's Investor's Service.

At December 31, 2017, the Corporation's investments were rated by Standard & Poor's or Moody's as follows:

	Fair Value	AAA/Aaa	Not Rated
Repurchase agreements	$ 6,469	$ 6,469	$ -
State external investment pool	164,511	-	164,511
U.S. Government obligations	250	250	-
U.S. Government-sponsored enterprises	25	25	-
Corporate bonds	296	-	296
Money market mutual funds	93	93	-
	$ 171,644	$ 6,837	$ 164,807

(Dollars in thousands)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2017, all of the Corporation's investments in U.S. Government-sponsored enterprises, repurchase agreements and corporate bonds were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent but not in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2017, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. Except for cash equivalents and United States Treasury and agency securities, the Corporation's total portfolio should consist of no more than 40% of any single type of security.

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Corporation's investment policy prohibits investment in foreign securities.

Investment Income

Investment income for the year ended December 31, 2017 consisted of:

	Governmental Fund-Types	Proprietary Fund-Types
Interest income	$ 2,174	$ 1,435
Unrealized gain on investments, net	-	909
Total investment income	$ 2,174	$ 2,344

(Dollars in thousands)

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017:

		Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV(A)
Negotiable certificates of deposit	$ 1,525	$ -	$ 1,525	$ -	$ -
Repurchase agreements	6,469	-	6,469	-	-
State external investment pools	164,511	-	-	-	164,511
U.S. Government obligations	250	-	250	-	-
U.S. Government-sponsored enterprise securities	25	-	25	-	-
Equity mutual funds	6,455	6,455	-	-	-
Equity securities	2,992	2,992	-	-	-
Corporate bonds	296	-	296	-	-
Money market mutual funds	93	-	-	-	93

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Investments at NAV

The State External Investment Pool (TrustINdiana) seeks to allow local units of government, as well as the State of Indiana, to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment. The Indiana Treasurer of State has been designated by statute as the administrator of the pool and the Deputy Treasurer of State maintains general oversight over the daily operation of the pool. The unit of account is each share held and the value of the Corporation's position is equal to the fair value of the pool's share price multiplied by the number of shares held. There are no unfunded commitments or restrictions on redemptions.

Money market mutual funds invest in short-term debt securities and seeks to provide greater returns than cash deposits. There are no unfunded commitments or restrictions on redemptions.

Note 4: Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Marion County Treasurer. On or before August 1 each year, the Marion County Auditor must submit to each underlying taxing unit a statement of (i) the estimated assessed value of the taxing unit as of March 1 of that year, and (ii) an estimate of the taxes to be distributed to the taxing unit during the last six months of the current budget year. The estimated value is based on property tax lists delivered to the Marion County Auditor by the Marion County Assessor on or before July 1.

The estimated value is used when the Corporation's Board meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. The budget, tax rates and levy must be adopted no later than November 1. The budget, tax levy and tax rate are subject to review and revision by the Indiana Department of Local Government Finance (DLGF) which, under certain circumstances, may revise, reduce or increase the budget, tax rate, or levy of the Corporation. The DLGF may increase the tax rate and levy if the tax rate and levy proposed by the Corporation is not sufficient to make its debt service or lease rental payments. The DLGF must complete its actions on or before February 15 of the year following the property tax assessment.

Taxes are distributed by the Marion County Auditor to the Corporation by June 30 and December 31 of each year. The Corporation can request advances of its share of collected taxes from the Marion County Treasurer once the levy and tax rates are certified by the DLGF.

As noted above, the assessment (or lien) date for Indiana property taxes is March 1 of each year; however, the Corporation does not recognize a receivable on the assessment date since the amount of property taxes to be collected cannot be measured until the levy and tax rates are certified in the subsequent year.

Typically, property tax bills are mailed in April and October of each year and are due and payable by the property owners in May (spring) and November (fall), respectively. Property tax billings are considered delinquent if they are not paid by the respective due date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Appeals may be filed within 45 days following the date the bills are mailed.

Changes in assessed values of real property occur periodically as a result of general reassessments required by the State legislature, as well as when changes occur in the property value due to new construction, demolition or improvements.

The Corporation allocates property tax revenues, as considered necessary, to fund public health programs and provide care for the indigent.

Note 5: Tax Abatements

The City of Indianapolis (City) promotes a series of real and personal property tax abatement programs available under Indiana law, including:

Real Property Tax Abatement (I.C. 6-1.1-12.1)

Real property tax abatements are achieved through the phase-in of real property tax obligations from the improvements being made. The phase-in can span a period of one to ten years and is based on a declining percentage of the increase in assessed value of such improvements.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. The City's Metropolitan Development Commission (MDC) is responsible for approving the abatement and determining the time period for the abatement. In some cases, City-County Council approval is also required for the abatement. Required approval(s) must occur before construction permits are obtained.

Personal Property Tax Abatement (I.C. 6-1.1-12.1)

Similarly, personal property tax abatements for manufacturing, research and development, information technology and logistics/distribution equipment are accomplished through the phase-in of personal property tax obligations over a one to ten year period, based on a declining percentage of the assessed value of the newly installed equipment.

Tax abatement is granted based on qualifying new investment, retained and committed jobs, wages and the economic impact of the project. MDC and, in certain circumstances, the City County Council approval is required and must occur prior to the equipment being operational and the MDC determines the time period for the abatement.

Tax Exemption for Enterprise Information Technology Equipment (I.C. 6-1.1-10.44)

The City may grant up to a ten-year, 100% personal property tax exemption to a business engaged in computing, networking or data storage for new investments in qualified enterprise information technology equipment.

The tax exemption requires a minimum investment of $10 million in qualifying investment by an eligible business located in a High Technology District Area, as designated by the City-County Council. The average wage of employees must be least one hundred twenty-five percent (125%) of the county average wage. Examples of non-eligible activities are call centers, back office operations, customer service operations, and credit/claims processing operations. City-County Council approval is required to grant the exemption.

Vacant Building Abatement (I.C. 6-1.1-12.1)

Up to a two-year real property tax abatement is available to a company, according to local qualifications, based on occupying a building that has been vacant for more than a year.

The building must be used for commercial or industrial purposes and be located in a designated Economic Revitalization Area, as designated by the MDC. Prior approval of the MDC must occur before occupying the facility and the MDC determines the time period for the abatement.

All of these programs are designed to spur job creation and retention, grow the income and property tax base, support the redevelopment of areas experiencing a cessation of growth, attract and retain businesses in targeted industries, and assist distressed businesses, among other objectives. Minimum eligibility criteria for such abatements vary by program, as noted above, but generally require that an investment in real or personal property be projected to increase assessed value, create or retain jobs and/or promote economic revitalization.

In return for such abatements, the City generally commits to permit, zoning and job training assistance. An abatement can be terminated if the MDC determines that the commitments made by the company receiving the abatement were not met and, per statute, such non-compliance was not due to factors beyond the company's control. Included in each abatement agreement are provisions specifying certain damages, among which may include a clawback of some or all of the taxes previously abated. If a company ceases operations or announces the cessation of operations at the facility for which the abatement was granted, termination of the abatement agreement is warranted and 100% clawback is required. Other clawbacks are calculated based on the highest level of non-compliance among the measured categories for that project.

Impact of Abatements on Revenues

Indiana property tax laws complicate the calculation of the exact impact of property tax abatements on the tax revenues of a given unit of local government. Constraints on the growth of the annual tax levy and constitutional limitations on taxes (also known as property tax caps) are the chief complicating factors. The increase in the annual tax levy is limited to the growth in the 6-year moving average of nonfarm personal income growth, which is known as the Assessed Value Growth Quotient (AVGQ). Statutory property tax caps for homesteads, agricultural and other residential, and commercial are equal to 1%, 2% and 3%, respectively, of associated assessed valuations.

The tax rate, which is established for each taxing unit by the Department of Local Government Finance, is based on the tax levy requested by the taxing unit (as limited by the AVGQ) divided by the net assessed value of the property in a physical taxing district. The theory behind the AVGQ is that the costs of government should not be increasing at a greater rate than taxpayer incomes.

Tax abatements are granted on the assessed value of the property abated. The taxpayer's taxes are then calculated based on this reduced assessment, thus resulting in a lower tax liability. But because a given district's tax rate is calculated based on the total net assessed value in the district (net of abatements and other adjustments), the certified levy of each unit in the district is the same as if the abatements had not been granted.

Additionally, to the extent that parcels have reached the constitutional limit of tax liability as a percentage of gross assessed value, the property tax rate caps (circuit breaker credits) reduce the property tax collections of the affected taxing units. The degree to which property tax abatements exacerbate circuit breaker losses differs by parcel and is dependent on the proportion of abated assessed value to total gross assessed value, as well as prevailing property tax rates.

The estimated gross amount, on an accrual basis, by which the Corporation's property tax revenues were reduced as a result of the aforementioned City abatement programs totaled approximately $1,149. However, the actual extent of lost revenues is something less than this amount and cannot be easily determined due to the application of circuit breaker credits.

(Dollars in thousands)

Note 6: Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2017:

	Eskenazi Health	LT Care	Total
Gross patient services receivables	$ 331,676	$ 58,534	$ 390,210
Allowance for estimated contractual adjustment	(131,882)	-	(131,882)
Allowance for uncollectible accounts	(139,912)	(7,790)	(147,702)
Net patient services receivables	$ 59,882	$ 50,744	$ 110,626

Note 7: Interfund Balances and Transfers

Individual due to/from other funds as of December 31, 2017 are as follows:

Interfund Receivables	Interfund Payables	Amount
General Fund	Debt Service Fund	$ 5,066
General Fund	Eskenazi Health Fund	3,822
General Fund	LT Care Fund	240,346

These interfund balances are due to the time lag between the dates that reimbursable expenditures occur and payments between funds are made, as well as pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2017.

Interfund transfers for the year ended December 31, 2017 on the fund statements consisted of the following:

	Transfer In:				
	General Fund	Debt Service Fund	Cap Projects Fund	Enterprise Fund - Eskenazi Health	Total
Transfer out:					
General Fund	$ -	$ 40,933	$ 15,000	$ 148,613	$ 204,546
LT Care Fund	240,329	-	-	-	240,329
Total	$ 240,329	$ 40,933	$ 15,000	$ 148,613	$ 444,875

Interfund transfers were generally used for the following: 1) to move revenues from the funds that are required by ordinance or budget to collect them to the funds that will ultimately expend them or 2) to cover deficits of other funds.

(Dollars in thousands)

Note 8: Deferred Outflows and Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

As of December 31, 2017, deferred outflows of resources consisted of the following components:

	Governmental Activities	Business-Type Activities	Total
Deferred loss on refundings	$ 466	$ -	$ 466
Pension related deferred outflows:			
Contributions subsequent to measurement date	2,408	8,691	11,099
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	613	567	1,180
Actuarial differences	722	2,775	3,497
Net difference between projected and actual earnings on pension plan investments	4,106	15,786	19,892
Changes in assumptions	610	2,346	2,956
Total deferred outflows of resources	$ 8,925	$ 30,165	$ 39,090

Deferred Inflows of Resources

As of December 31, 2017, deferred inflows of resources consisted of the following components:

	Governmental Activities	Business-Type Activities	Total
Pension related deferred inflows:			
Change in proportion	$ 327	$ 13,099	$ 13,426
Actuarial differences	29	113	142
Total deferred inflows of resources	$ 356	$ 13,212	$ 13,568

(Dollars in thousands)

Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period or for which time requirements have not been met. Governmental funds also record unearned revenue in connection with resources that have been received but not yet earned. At December 31, 2017, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows	Unearned
Grant advances prior to meeting all eligibility requirements	$ -	$ 243
Rental revenue received in advance	-	168
Grant reimbursements not received within 90 days	506	-
Other revenues not received within 90 days	17,641	-
Total Governmental Funds	$ 18,147	$ 411

In addition, the Eskenazi Health Enterprise Fund had $17,142 of unearned revenue recorded at December 31, 2017 of which $16,947 related to the Healthy Indiana Plan and $195 related to both fee for service grants and advances received on federal grants that had not met eligibility requirements.

(Dollars in thousands)

Note 9: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2017:

	January 1, 2017	Transfers/ Additions	Transfers/ Disposals	December 31, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 4,095	$ -	$ -	$ 4,095
Construction in progress	1,411	3,401	-	4,812
Total capital assets not being depreciated	5,506	3,401	-	8,907
Capital assets being depreciated:				
Buildings and improvements	30,746	219	-	30,965
Equipment	24,691	774	-	25,465
Vehicles	6,149	474	-	6,623
Total capital assets being depreciated	61,586	1,467	-	63,053
Less accumulated depreciation for:				
Buildings and improvements	17,432	1,204	-	18,636
Equipment	19,692	1,122	-	20,814
Vehicles	5,209	294	-	5,503
Total accumulated depreciation	42,333	2,620	-	44,953
Total capital assets being depreciated, net	19,253	(1,153)	-	18,100
Governmental activities capital assets, net	$ 24,759	$ 2,248	$ -	$ 27,007

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2017:

	January 1, 2017	Transfers/ Additions	Transfers/ Disposals	December 31, 2017
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 9,723	$ -	$ -	$ 9,723
Construction in progress	16,256	37,931	(40,996)	13,191
Total capital assets not being depreciated	25,979	37,931	(40,996)	22,914
Capital assets being depreciated:				
Land improvements	86,523	1,034	(6)	87,551
Buildings and improvements	1,471,959	29,601	(10)	1,501,550
Equipment	349,612	26,082	(161)	375,533
Vehicles	13,056	1,566	(1)	14,621
Total capital assets being depreciated	1,921,150	58,283	(178)	1,979,255
Less accumulated depreciation for:				
Land improvements	19,955	6,127	-	26,082
Buildings and improvements	521,516	95,594	(51)	617,059
Equipment	189,708	38,323	(71)	227,960
Vehicles	9,885	1,395	-	11,280
Total accumulated depreciation	741,064	141,439	(122)	882,381
Total capital assets being depreciated, net	1,180,086	(83,156)	(56)	1,096,874
Business-type activities capital assets, net	$ 1,206,065	$ (45,225)	$ (41,052)	$ 1,119,788

(Dollars in thousands)

The following is a summary of changes in capital assets - Eskenazi Health Enterprise Fund for the year ended December 31, 2017:

	January 1, 2017	Transfers/ Additions	Transfers/ Disposals	December 31, 2017
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 9,723	$ -	$ -	$ 9,723
Construction in progress	12,316	17,483	(17,580)	12,219
Total capital assets not being depreciated	22,039	17,483	(17,580)	21,942
Capital assets being depreciated:				
Land improvements	77,359	19	(6)	77,372
Buildings and improvements	670,802	4,186	(10)	674,978
Equipment	236,611	11,804	(5)	248,410
Vehicles	12,865	1,566	-	14,431
Total capital assets being depreciated	997,637	17,575	(21)	1,015,191
Less accumulated depreciation for:				
Land improvements	16,552	5,235	-	21,787
Buildings and improvements	122,670	30,829	(51)	153,448
Equipment	106,699	26,085	-	132,784
Vehicles	9,718	1,390	-	11,108
Total accumulated depreciation	255,639	63,539	(51)	319,127
Total capital assets being depreciated, net	741,998	(45,964)	30	696,064
Business-type activities capital assets, net	$ 764,037	$ (28,481)	$ (17,550)	$ 718,006

The following is a summary of changes in capital assets - Long-Term Care Enterprise Fund for the year ended December 31, 2017:

	January 1, 2017	Transfers/ Additions	Transfers/ Disposals	December 31, 2017
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	$ 3,940	$ 20,448	$ (23,416)	$ 972
Total capital assets not being depreciated	3,940	20,448	(23,416)	972
Capital assets being depreciated:				
Land improvements	9,164	1,015	-	10,179
Buildings and improvements	801,157	25,415	-	826,572
Equipment	113,001	14,278	(156)	127,123
Vehicles	191	-	(1)	190
Total capital assets being depreciated	923,513	40,708	(157)	964,064
Less accumulated depreciation for:				
Land improvements	3,403	892	-	4,295
Buildings and improvements	398,846	64,765	-	463,611
Equipment	83,009	12,238	(71)	95,176
Vehicles	167	5	-	172
Total accumulated depreciation	485,425	77,900	(71)	563,254
Total capital assets being depreciated, net	438,088	(37,192)	(86)	400,810
Business-type activities capital assets, net	$ 442,028	$ (16,744)	$ (23,502)	$ 401,782

(Dollars in thousands)

Within the statement of activities, depreciation expense is charged to functions of the Corporation as follows:

Governmental Activities:		
Administration and finance	$	1,867
Health improvements		401
Communicable disease prevention		168
Water quality and hazardous material management		43
Vector disease control		131
Housing and neighborhood health		10
Total depreciation expense, governmental activities	$	2,620
Business-Type Activities:		
Eskenazi Health	$	63,539
LT Care		77,900
Total depreciation expense, business-type activities	$	141,439

Also included in the Long-Term Care Fund in the proprietary fund statements is $3,766 of amortization expense related to lease acquisition costs.

Note 10: Estimated Medicare and Medicaid Settlements and Net Patient Service Revenue

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Eskenazi Health after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2017, the Medicare and Medicaid cost reports for Eskenazi Health have been audited by the fiscal intermediaries through December 31, 2013.

Eskenazi Health and Long-Term Care have agreements with third-party payers that provide payments to these divisions at amounts different from their established rates. Estimated contractual adjustments under third-party reimbursement programs represent the differences between billings at established rates and amounts reimbursed by third-party payers. Estimated contractual adjustments also include any differences between estimated third-party reimbursement settlements for prior year services under third-party payer agreements and subsequent final settlements. A summary of the payment arrangements with major third-party payers follows.

Medicare

Under the Medicare program, Eskenazi Health receives reimbursement under a prospective payment system (PPS) for both inpatient and outpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group. When the estimated cost of treatment for certain patients is higher than the average plus a loss threshold, providers may receive additional "outlier" payments. Outpatient services provided to Medicare patients are reimbursed to Eskenazi Health based on service groups called ambulatory payment classifications.

Under the Medicare program, Long-Term Care primarily receives reimbursement for services provided at its skilled nursing facilities (SNF) under PPS on a per diem basis based on each resident's health at admission (RUG Rate). Medicare reimburses Long-Term Care for 100 days of SNF care subject to certain eligibility requirements.

In connection with the July 1, 2015 acquisition of the 17 nursing facilities described more fully in Note 19, the Corporation assumed responsibility for a Corporate Integrity Agreement (CIA) with the Office of the Inspector General. The CIA, which is scheduled to expire in October 2019, requires monitoring and reporting of certain conditions of payment from the Medicare program. In the event of noncompliance with the CIA, the Corporation could have to repay certain Medicare reimbursement to the Medicare program. Management believes it is in compliance with the terms of the CIA and therefore has not recorded any potential liability to the program in the accompanying financial statements. Amounts due under the CIA, if any, will be recorded in the period known.

Medicaid

Eskenazi Health is paid for inpatient acute care services rendered to Medicaid beneficiaries under the lower of charges or prospectively determined rates-per-discharge and on a per diem basis for psychiatric and burn unit services, classified based on clinical, diagnostic and other factors. Reimbursement for Medicaid outpatient services is based on prospective rates per visit. Eskenazi Health also participates in a Medicaid risk-based managed-care program in which Eskenazi Health receives interim reimbursement rates with a settlement adjustment at year-end.

Long-Term Care is reimbursed for services rendered to Medicaid beneficiaries on a per diem basis.

Medicaid Special Revenue

The Corporation qualifies for certain special Medicaid payments through various sections of the State of Indiana Medicaid Plan and the Indiana Code. Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (DSH - established to reimburse hospitals that serve a disproportionate share of indigent patients) the Upper Payment Limit program (UPL - established to pay qualifying health care providers the difference between what Medicare would have paid and what Medicaid actually paid) and other contractual revenues. The money received from the Medicaid special revenues can be utilized by the Corporation without restriction.

During 2012, the State of Indiana established a Hospital Assessment Fee (HAF), which increased reimbursement for the state Medicaid fee for service program and the Medicaid managed care programs; such revenue is reported as net patient service revenue in the Eskenazi Health Enterprise Fund. Eskenazi Health is assessed an annual fee under the HAF program, which is reported as an operating expense in the Eskenazi Health Enterprise Fund. Fees assessed by the State of Indiana fund the UPL and DSH programs for Indiana hospitals (these programs were historically funded through an intergovernmental transfer program). There is no assurance the HAF program will continue in future periods.

Medicaid special revenue associated with indigent services provided at Eskenazi Health is comprised of DSH payments, which are all recorded in the Corporation's General Fund. Such payments are limited to a Hospital Specific Limit, which is defined by the State of Indiana Office of Medicaid Planning and Policy and are codified in the Indiana State Medicaid Plan and IC 12-15-15. Methodologies supporting such payments are complex and the timing and levels of payment may vary materially from year to year, often times resulting in material recoupment of the net receipts previously made to the Corporation. The Corporation often times does not have access to reasonable information to estimate levels of DSH payments and therefore cannot reasonably estimate levels of revenue by state fiscal (or their own fiscal) year. Management records the DSH portion of the Medicaid special revenue on a cash basis, unless actual amounts are known subsequent to year end, prior to issuance of the financial statements.

Medicaid special revenue pertaining to Long-Term Care and the physician access to care program is distributed through an intergovernmental transfer (IGT) arrangement. The basis for payment is derived from services rendered to patients through activities of the Long-Term Care Funds and Eskenazi Health (for the physician access to care program). The Indiana Office of Medicaid Policy and Planning determines the level of UPL funds available for distribution and initiates a transaction with the Corporation to facilitate the IGT. The Corporation is responsible for funding the IGT for the services rendered on behalf of the Long-Term Care and Eskenazi Health Funds and such transactions are reported in the General Fund statement of revenues, expenditures and changes in fund balances while Long-Term Care and Eskenazi Health report revenues associated with their respective UPL at gross in the statement of revenue, expenses and changes in fund net position.

Medicaid special revenue associated with Long-Term Care is based upon UPL payments, which is more predictable than the payments related to Eskenazi Health. Accordingly, management recognizes such payments on an accrual basis at the Long-Term Care Fund level.

(Dollars in thousands)

The Corporation also participates in the Indiana Medicaid Governmental Ambulance Transportation Payment program that reimburses eligible ambulance transportation providers a state and federal reimbursement percentage of allowable costs. Revenue earned under this program is reported in the General Fund statement of revenues, expenditures and changes in fund balances.

The General Fund recognized $26,581 in Medicaid special revenue and a receivable of $5,061 at December 31, 2017. The intergovernmental transfers made by the Corporation in 2017 under these programs totaled $103,450, with $25,534 accrued within accounts payable in the general fund as of December 31, 2017. The Long-Term Care Fund recognized revenue of $279,213 and a receivable of $70,863 at December 31, 2017.

Other Payers

Eskenazi Health and Long-Term Care have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Eskenazi Health and Long-Term Care under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2017:

	Eskenazi Health	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 870,182	$ -	$ 870,182	33%
Outpatient	1,044,690	-	1,044,690	40%
Long-term care	-	696,132	696,132	27%
Gross patient service less:	1,914,872	696,132	2,611,004	100%
Contractual adjustments	1,109,675	-	1,109,675	42%
Charity and indigent care	213,062	-	213,062	8%
Provision for uncollectible accounts	81,733	19,101	100,834	4%
Net patient service revenue	$ 510,402	$ 677,031	$ 1,187,433	46%

Revenue from the Medicare and Medicaid programs accounted for approximately 27% and 54%, respectively, of net patient service revenue for fiscal year 2017. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2017 net patient service revenue increased approximately $15,600 due to changes in estimates related to final settlement of Medicare cost reports, accounts receivable valuation and final FQHC Medicaid PPS rate establishment. Eskenazi Health Corporate Compliance and Leadership review billing, site, licensure and other issues to ensure compliance with Federal, State and other regulations.

Note 11: Long-Term Liabilities

Renovation Bonds of 1988

During 1988, the Corporation issued $28,000 of Renovation Bonds, the proceeds of which were used to renovate the clinical, patient care and administrative areas of the Corporation's former hospital complex (the predecessor facilities to Eskenazi Health) and acquire, construct, renovate and equip the Corporation's public health and administrative facilities. The Renovation Bonds of 1988 are general obligation bonds payable from an unlimited ad valorem property tax levied on all taxable property within the Corporation, which is coterminous with Marion County, Indiana. The Renovation Bonds of 1988 that remain outstanding at December 31, 2017 bear interest at 7.40%, with principal and interest payments due June 30 and December 30 through 2019.

General Obligation Bonds of 2005

During 2005, the Corporation issued $28,960 of General Obligation Refunding Bonds, Series 2005 (the 2005 GO Bonds), the proceeds of which were used to refund the outstanding principal of the Corporation's General Obligation Bonds, Series 2000A. The 2005 GO Bonds are payable from an unlimited ad valorem property tax levied on all taxable property within the Corporation, which is coterminous with Marion County, Indiana. The 2005 GO Bonds that remain outstanding at December 31, 2017 bear interest at 4.50% to 5.25%, with principal and interest payments due January 1 and July 1 through January 1, 2025. The remaining 2005 GO Bonds are subject to redemption from mandatory sinking fund payments during 2018 to 2024 and are subject to optional redemption prior to maturity at par plus accrued interest to the redemption date.

General Obligation Bonds of 2010

During 2010, the Corporation issued $195,000 of General Obligation Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 GO Bonds, or collectively, the 2010A GO Bonds), the proceeds of which were used to finance a portion of the Eskenazi Health hospital complex, including the hospital and outpatient clinic facilities. The 2010A GO Bonds are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the annual debt service. The 2010A GO Bonds that remain outstanding at December 31, 2017 bear interest at 5.00% to 6.004%, with principal and interest payments due January 15 and July 15 through January 15, 2040. The 2010A GO Bonds are subject to redemption from mandatory sinking fund payments during 2023 to 2040 and the 2010A GO Bonds maturing on or after January 15, 2021 are subject to optional redemption prior to maturity beginning January 15, 2020 at par plus accrued interest to the redemption date.

The 2010A GO Bonds were acquired in their entirety with proceeds from the issuance of The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 Bond Bank Bonds). The 2010A-2 Bond Bank Bonds were issued as Build America Bonds (BABs) and, as such, are eligible to receive a credit (BAB Subsidy) equal to 35% of the interest payable on such bonds. The benefit of such credit will be passed on to the Corporation at each interest payment date, thus effectively reducing the Corporation's cost of financing. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011 (the BAB Sequester), BAB Subsidies for the October 2016 through September 2017 were reduced by 6.9% and BAB Subsidies for the October 2017 through September 2018 are to be reduced by 6.6%. It is too soon to predict if BAB Subsidies will continue to be cut thereafter, or if the United States Congress will rescind or otherwise alter such cuts.

Capital Lease Obligations of Governmental Activities

Financing for a portion of Eskenazi Health hospital complex is also being provided through a lease financing arrangement with the Indianapolis-Marion County Building Authority (Authority). The Authority was created pursuant to Indiana Code 36-9-13, as amended for the purpose of financing, acquiring, improving, constructing, reconstructing, renovating, equipping, operating, maintaining and managing governmental buildings for public or governmental purposes for the benefit of eligible governmental entities within the boundaries of the County of Marion, Indiana.

Pursuant to a Loan Agreement, dated March 1, 2010, the Authority received a loan of bond proceeds in connection with the issuance of $465,580 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010B-1 and Series 2010B-2 (the 2010B-1 and 2010B-2 Bond Bank Bonds), for the purposes of financing a portion of the costs of the Eskenazi Health complex. The 2010B-2 Bonds were issued as BABs for which the Corporation also receives a BAB Subsidy.

Pursuant to a Loan Agreement dated April 1, 2013, the Authority received an additional loan of bond proceeds in connection with the issuance of $42,460 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2013A (the 2013A Bond Bank Bonds), for the purposes of financing additional costs of the Eskenazi Health complex.

Pursuant to its Master Lease Agreement and related Addendums with the Authority, the Corporation is leasing certain real estate underlying the Eskenazi Health complex and portions of the improvements related thereto. Under the Master Lease Agreement, the Corporation has the option to purchase the leased facilities at a price equal to the amount required to enable the Authority to pay or redeem all related outstanding debt obligations and costs of transferring the premises. Also, the Corporation is obligated to pay certain expenses and all costs to operate, insure and maintain the leased facilities. The rentals under this lease are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the rentals and, accordingly, the principal and interest on the 2010B-1, 2010B-2 and 2013A Bond Bank Bonds.

(Dollars in thousands)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	January 1, 2017	Additions	Reductions	December 31, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds payable:					
Renovation Bonds of 1988 ($28,000,000 original amount), 6.00% to 7.40%, due January 1, 2020	$ 6,140	$ -	$ (1,900)	$ 4,240	$ 2,045
Refunding Bonds of 2005 ($28,960,000 original amount), 3.50% to 5.25%, due January 1, 2025	15,520	-	(1,625)	13,895	1,700
General Obligation Bonds of 2010 - Series A-1, A-2 ($195,000,000 original amount), 3.00% to 6.004%, due January 15, 2040	166,270	-	(1,325)	164,945	1,385
Plus: bond premium	3,439	-	(183)	3,256	184
Total bonds payable	191,369	-	(5,033)	186,336	5,314
Capital lease obligations	454,335	-	(10,389)	443,946	11,079
Asserted and unasserted self-insurance claims	959	9,291	(9,138)	1,112	620
Accrued compensated absences	6,942	4,758	(4,459)	7,241	5,554
Net pension liability	38,213	4,464	(4,678)	37,999	-
Governmental activities long-term liabilities	$ 691,818	$ 18,513	$ (33,697)	$ 676,634	$ 22,567
Business-Type Activities:					
Eskenazi Health:					
Asserted and unasserted self-insurance claims	$ 8,299	$ 41,945	$ (40,941)	$ 9,303	$ 5,691
Accrued compensated absences	24,174	18,745	(18,521)	24,398	18,614
Net pension liability	165,626	-	(19,522)	146,104	-
Deferred compensation	5,065	1,567	(177)	6,455	-
LT Care:					
Capital lease obligations	440,737	-	(53,537)	387,200	58,048
Asserted and unasserted self-insurance claims	14,888	6,310	(3,198)	18,000	5,132
Business-type activities long-term liabilities	$ 658,789	$ 68,567	$ (135,896)	$ 591,460	$ 87,485

The above bond and capital lease obligations relating to governmental activities are to be repaid from ad valorem taxes levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana. The General Fund has been used in prior years to liquidate long-term liabilities other than debt related to governmental activities, including the net pension liability. The business-type capital leases will be repaid through Long-Term Care nursing home operating revenue.

(Dollars in thousands)

The governmental activities debt service requirements, including interest, on bonds and related future BAB subsidies as of December 31, 2017 are as follows:

	Principal	Interest	BAB Subsidies
Bonds:			
2018	$ 5,130	$ 10,664	$ 2,992
2019	5,440	10,357	2,992
2020	5,730	10,067	2,992
2021	6,020	9,775	2,992
2022	6,330	9,467	2,992
2023 - 2027	35,650	41,814	14,070
2028 - 2032	42,985	30,654	10,787
2033 - 2037	52,030	16,745	6,436
2038 - 2039	23,765	2,154	1,386
	$ 183,080	$ 141,697	$ 47,639

The above future BAB Subsidies reflect an assumed reduction for the BAB Sequester adjustment in effect at December 31, 2017.

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2017, is as follows:

Net assessed value - 2017	$ 37,570,129
	0.67%
Debt limit	251,720
Debt applicable to debt limit:	
Bonded debt (excluding unamortized premiums)	183,080
Legal debt margin	$ 68,640

As mentioned previously, in 2005, the Corporation refunded its 2000A GO Bonds with the issuance of the 2005 GO Bonds. The 2000A GO Bonds are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2017, $13,225 of these defeased bonds remain outstanding.

(Dollars in thousands)

Note 12: Leases

Operating

The Corporation leases certain facilities and equipment under operating leases. Most of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2017 for the governmental activities:

2018	$	7,529
2019		7,880
2020		7,726
2021		7,486
2022		6,900
2023 - 2027		36,088
2028 - 2032		36,671
2033 - 2037		39,481
2038 - 2042		42,541
2043		7,176
Total future minimum payments	$	199,478

Lease expenditures of $6,711 were reported in the governmental activities for the year ended December 31, 2017.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2017 for the business-type activities:

2018	$	4,358
2019		4,254
2020		2,211
2021		2,287
2022		1,738
2023 - 2027		8,377
2028 - 2032		8,625
2033 - 2037		9,056
2038 - 2042		9,509
2043		1,437
Total future minimum payments	$	51,852

The Corporation reported $7,000 of lease expense in the business-type activities for the year ended December 31, 2017.

(Dollars in thousands)

Capital

The Corporation's governmental activities include capital leases for a data center reported in the governmental activities and the Eskenazi Health hospital complex reported in the Eskenazi Health Enterprise Fund. At December 31, 2017, the gross amount of building improvements, equipment and related accumulated amortization recorded under these capital leases was as follows:

Building and land improvements	$	278,891
Equipment		204,831
Less: accumulated amortization		(116,016)
	$	367,706

Future minimum capital lease payments for the Corporation's governmental activities as of December 31, 2017 are:

2018	$	39,939
2019		39,939
2020		39,935
2021		39,942
2022		39,938
2023 - 2027		196,372
2028 - 2032		187,028
2033 - 2037		175,464
2038 - 2041		66,408
Total minimum lease payments		824,965
Less amount representing interest (6.45%)		381,019
Present value of net minimum capital lease payment		443,946
Less current installments of obligations under capital leases		11,079
Obligations under capital lease, excluding current installments	$	432,867

For business-type activities, including the Long-Term Care Enterprise Fund, the Corporation is obligated under capital leases covering 78 nursing homes. At December 31, 2017, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$	674,498
Less: accumulated amortization		(398,147)
	$	276,351

Amortization expense of assets held under capital leases is included in depreciation expense for the Corporation's governmental activities and business-type activities.

(Dollars in thousands)

Future minimum capital lease payments for the Corporation's business-type activities as of December 31, 2017 are:

2018	$	88,273
2019		90,016
2020		91,797
2021		93,478
2022		62,954
2023 - 2026		52,939
Total minimum lease payments		479,457
Less amount representing interest (at rates ranging from 4.58% to 11.74%)		92,257
Present value of net minimum capital lease payment		387,200
Less current installments of obligations under capital leases		58,048
Obligations under capital lease, excluding current installments	$	329,152

Note 13: Risk Management

Insurance Coverage

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana Tort Claims Act, under IC 34-13-3-4, which limits the tort liability for all Indiana governmental entities, in aggregate, to $700 per person and $5,000 per occurrence. The Corporation also purchases commercial insurance policies for certain other risks of loss with deductibles that range from $25 to $500. Settled claims have not exceeded coverage for the past three years.

Eskenazi Health is governed by the Indiana Medical Malpractice Act, which, effective July 1, 2017, limits the maximum recovery for medical malpractice claims to $1,650 per occurrence, $400 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund. The previous limits before July 1, 2017, were $1,250 maximum recovery and $250 per occurrence.

As mentioned previously in these notes, the Corporation established a nonprofit entity, Lions Insurance Company, which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. As with Eskenazi Health, Lions is protected by the Indiana Tort Claims Act, governed by in the Indiana Medical Malpractice Act and has professional liability coverage from the Indiana Patient Compensation Fund. In addition, Lions has protection for general liability coverage of $1,000 per occurrence and $3,000 in the aggregate.

(Dollars in thousands)

The Corporation has accrued for reported claims and claims incurred but not reported (IBNR) for workers' compensation, general liability and medical malpractice. Loss estimates have included the nature of each claim or incident and relevant trend factors as determined by legal counsel and an independent consulting actuary.

The following is a summary of the changes in asserted and unasserted workers' compensation, general liability, and medical malpractice claims for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2016	$ 17,212
Change in incurred claims (including IBNRs), net	5,198
Claim payments	(3,102)
Balance at January 1, 2017	19,308
Change in incurred claims (including IBNRs), net	8,530
Claim payments	(4,758)
Balance at December 31, 2017	$ 23,080

Medical Claims Incurred But Not Reported

Eskenazi Health has entered into an agreement with MDwise, Inc. (MDwise), a related party, to provide risk-based health care services, including, but not limited to inpatient, outpatient and physician services, to qualified Medicaid participants.

Effective January 1, 2008, this program was expanded to include the provisions of the Healthy Indiana Plan (HIP) and during 2015, this program was expanded again to include HIP 2.0. Eskenazi Health receives payments for the care of these Medicaid beneficiaries under a capitated payment methodology from MDwise and disburses payments through a third-party administrator based upon processed claims.

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Eskenazi Health for amounts that are unpaid at December 31, 2017. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Eskenazi Health and gives effect to estimates of trends in claim severity and frequency. Although management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Eskenazi Health Enterprise Fund. Historically, the majority of these claims are paid within one year following year-end, so the entire balance is being reflected in current liabilities in the statement of net position.

(Dollars in thousands)

The following is a summary of changes in the medical claims incurred but not reported for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2016	$	14,897
Change in incurred claims (including IBNRs), net		117,587
Claim payments		(109,565)
Balance at January 1, 2017		22,919
Change in incurred claims (including IBNRs), net		116,338
Claim payments		(125,370)
Balance at December 31, 2017	$	13,887

Health Insurance Coverage

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage. Asserted and unasserted self-insurance claims in the governmental and business-type activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2017. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims.

The following is a summary of the changes in the Corporation's health insurance liability for the past two years, as recorded in the governmental activities of the statement of net position:

Balance at January 1, 2016	$	641
Change in incurred claims (including IBNRs), net		8,474
Claim payments		(8,156)
Balance at January 1, 2017		959
Change in incurred claims (including IBNRs), net		9,291
Claim payments		(9,138)
Balance at December 31, 2017	$	1,112

The amount recorded as a liability in the General Fund at December 31, 2017 is $620 and represents the claims, which are matured and due as of year-end.

(Dollars in thousands)

The following is a summary of the changes in the Corporation's health insurance liability for the past two years, as recorded in the business-type activities of the statement of net position:

Balance at January 1, 2016	$	3,202
Change in incurred claims (including IBNRs), net		33,457
Claim payments		(32,780)
Balance at January 1, 2017		3,879
Change in incurred claims (including IBNRs), net		39,725
Claim payments		(39,381)
Balance at December 31, 2017	$	4,223

Note 14: Retirement Plans

Plan Description

The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a cost-sharing, multiple-employer defined-benefit retirement plan established in accordance with IC 5-10.3 to act as a common investment and administrative agent for units of state and local governments in Indiana. PERF is administered by the Indiana Public Retirement System (INPRS) and is governed by the INPRS Board of Trustees (INPRS Board). PERF provides retirement, disability and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan and certain INPRS employees. Substantially all of the Corporation's full-time employees hired before July 1, 2014 are eligible to participate in this plan. Eskenazi Health employees hired after June 30, 2014 are not PERF eligible.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for PERF and can be found at http://www.inprs.in.gov. This report may be obtained by writing to Indiana Public Retirement System, 1 North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

There are two tiers to the PERF plan. The first is the Public Employee's Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' ASA Only Plan (PERF ASA Only Plan). As of July 1, 2016, employees of political subdivisions may be eligible to participate in the PERF ASA Only Plan if their political subdivision chooses to participate.

There are two aspects to the PERF Hybrid Plan defined-benefit structure. The first portion is the monthly defined-benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Annuity Savings Account (ASA) that supplements the defined-benefit at retirement.

Funding Policy

The funding policies of INPRS provide for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

The employer defined-benefit contribution rate is based on an actuarial valuation and is adopted, and may be amended, by the INPRS Board. For 2017, the Corporation contributed 11.2% of employee compensation to the plan. The ASA consists of the employee contribution, which is set by statute at 3% of compensation, as defined by Indiana statutes, plus the interest/earnings or losses credited to the employee's account. The employer may choose to make the contributions on behalf of its participating employees, which the Corporation has elected to do. In addition, under certain circumstances, employees may elect to make additional voluntary contributions of up to 10% of their compensation into their ASA. An employee's contribution and interest credits belong to the employee and do not belong to the state or the Corporation.

Retirement Benefits

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the employee's ASA. Retirement benefits vest after ten years of creditable service. The vesting period is eight years for certain elected officials. Employees are immediately vested in their respective annuity savings accounts. At retirement, an employee may choose to receive a lump-sum payment of the amount credited to the employee's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS.

Vested employees leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if an employee is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A nonvested employee who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. An employee who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

An employee who has reached: (1) age 65 and has at least 10 years of creditable service; (2) age 60 and has at least 15 years of creditable service; or (3) at least age 55 and whose age plus number of years of creditable service is at least 85 is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.10% times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the 20 calendar quarters of creditable service in which the employee's annual compensation was the highest. All 20 calendar quarters do not have to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. Employee contributions paid by the employer on behalf of the employee and severance pay up to $2 are included as part of the employee's salary.

An employee who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. An employee retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the employee's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89%. This amount is reduced five percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

The monthly pension benefits for employees in pay status may be increased periodically as cost of living adjustments (COLAs). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

Disability and Survivor Benefits

The PERF Hybrid Plan also provides disability and survivor benefits. An employee who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the employee has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is $0.2 per month, or the actuarial equivalent.

Upon the death in service of an employee with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the employee had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the employee had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of an employee who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly.

Contributions

Employer contribution rates are adopted annually by the INPRS Board for PERF. The contributions are actuarially determined based on the funding policy, actuarial assumptions and actuarial methods established by the INPRS Board. Contributions determined by the actuarial valuation become effective either 12 or 18 months after the valuation date, depending on the applicable employer. In the case of the Corporation, contribution rates and amounts determined by the June 30, 2016 actuarial valuation and adopted by the INPRS Board therefore become effective on January 1, 2018. The Corporation’s contractually required contribution rate for 2017 was 11.2% of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Corporation’s contribution to the plan for the year ended December 31, 2017, exclusive of employer-paid member contributions, was $22,244, equal to the approved employer contribution and 11.2% of covered payroll for the year.

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

At December 31, 2017, the Corporation reported a liability of $184,103 for its proportionate share of PERF’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Member census data as of June 30, 2016, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement date. Wages reported by the Corporation relative to the collective wages of the plan served as the basis to determine the Corporation’s proportionate share. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2017, the Corporation’s proportion was 4.13%, which was a decrease of 0.36% from its proportion measured as of June 30, 2016.

(Dollars in thousands)

For the year ended December 31, 2017, the Corporation recognized pension expense of $28,650, which is comprised of $7,772 related to governmental activities and $20,878 related to business-type activities. At December 31, 2017, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial differences	$ 3,497	$ 142
Net difference between projected and actual earnings on pension plan investments	19,892	-
Changes of assumptions	2,956	-
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	1,180	13,426
Corporation's contributions subsequent to the measurement date	11,099	-
	$ 38,624	$ 13,568

At December 31, 2017, the Corporation reported $2,408 in the governmental activities and $8,691 in the business-type activities as deferred outflows of resources related to Corporation contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as net deferred outflows of resources at December 31, 2017, related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business-Type Activities	Total
2018	$ 2,366	$ 1,191	$ 3,557
2019	2,671	5,027	7,698
2020	862	2,829	3,691
2021	(204)	(785)	(989)
	$ 5,695	$ 8,262	$ 13,957

(Dollars in thousands)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.5% - 4.25% average, including inflation
Ad hoc cost of living adjustments	1.0% average
Long-term expected rate of return	6.75%, net of pension plan investment expense

Mortality rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study performed for the period June 30, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted-average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22%	4.9%
Private markets	14%	5.7%
Fixed income - ex inflation linked	20%	2.3%
Fixed income - inflation linked	7%	0.6%
Commodities	8%	2.2%
Real estate	7%	3.7%
Absolute return	10%	3.9%
Risk parity	12%	5.1%
	100%	

(Dollars in thousands)

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for the year ended June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the PERF's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Corporation's proportionate share of the net pension liability has been calculated using a discount rate of 6.75%. The following presents the Corporation's proportionate share of the net pension liability calculated using a discount rate of 1% higher and 1% lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Corporation's proportionate share of PERF's net pension liability:			
Governmental activities	$ 55,421	$ 37,999	$ 23,518
Business-type activities	213,086	146,104	90,422
Total	$ 268,507	$ 184,103	$ 113,940

Pension Plan Fiduciary Net Position

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

Defined-Contribution Retirement Plan

The Corporation also contributes to the Health and Hospital Corporation of Marion County Retirement Plan, a defined-contribution retirement plan covering Eskenazi Health employees hired after June 30, 2014. The plan is administered by the Plan Committee of the Retirement Plan (Plan Committee), as appointed by the President and Chief Executive Officer of the Corporation. Retirement plan expense is recorded for the amount of the Corporation's required contributions, determined in accordance with the terms of the plan. Benefit and contribution provisions are contained in the plan document and were established and can be amended by action of the Plan Committee or the Corporation's governing body. The Corporation contributes 3% of eligible employee's compensation. Additionally, the Corporation contributes to the plan an amount equal to each eligible employee's contributions into their deferred compensation plan up to 4% of the employee's compensation. During 2017, the Corporation contributed $4,427 into the defined-contribution retirement plan.

Note 15: Deferred Compensation Plans

Employees of the Corporation are eligible to participate in a deferred compensation plan (Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to substantially all employees of the Corporation. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

Additionally, EMG has a 457(b) deferred compensation agreement with certain members of management and highly compensated employees. Under the plan, employees may elect to defer a portion of their current compensation to provide for retirement and other benefits of the employee. EMG may credit to the plan each year an amount as defined by EMG's board of directors. The Corporation records a restricted asset on the statement of net position, which is offset by a matching liability. Employer contributions for 2017 were approximately $370.

Note 16: Hospital Management Agreement

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2017, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Eskenazi Health, but the operations of Eskenazi Health remains the direct responsibility of the Corporation. Eskenazi Health incurred fees for professional, management and resident physician services of approximately $54,000 during the year (recorded in medical and professional fees on the statement of revenues, expenses and changes in fund net position - proprietary funds).

Note 17: Long-Term Care Management Agreement

The Corporation has entered into three management agreements with American Senior Communities, LLC (ASC) to manage the 78 nursing homes, which are accounted for in the Long-Term Care Fund. The term of two management agreements extends until August 2022 for 61 of the Corporation's nursing homes. The Corporation has the right to extend the term for an additional period of 10 years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2015, these agreements were to terminate automatically by their terms as a result of the termination by ASC of its then-current Chief Executive Officer, which is more fully described in Note 18. The Corporation and ASC are currently abiding by the terms of these agreements and agreed to negotiate in good faith the replacement management agreements.

The term of the third series of management agreement extends coverage to the operation of seventeen facilities acquired on July 1, 2015, which is more fully described in Note 19. The original agreements to the acquisition were automatically terminated in September 2015 as a result of the termination by ASC of its then-current Chief Executive Officer. During 2016, the Corporation and ASC entered into new management agreements that extend until June 2025 for these seventeen facilities. The Corporation has the right to extend the term for an additional period conterminous with the term of the underlying lease agreements if written notice is given to ASC at least 60 days prior to the expiration of the initial term.

During 2017, the Corporation incurred approximately $34,902 in management fees to ASC under all agreements for Long-Term Care operations. In the event the ASC management agreements are terminated or not renewed, it could have a material impact on the Corporation's financial statements.

ASC utilizes the services of EagleCare, LLC (EagleCare) to provide the personnel required to operate each of the respective facilities. EagleCare and ASC are related parties in that the persons who own 100% of EagleCare also own 95% of ASC. ASC also provides management services to EagleCare in connection with its operations. These payments to EagleCare are included within contract labor expenses within the Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.

The Corporation currently leases 8 of the nursing homes from entities related to ASC through common ownership. During 2017, the Corporation paid approximately $20,559 to this organization in associated lease costs from Long-Term Care operating revenue.

At December 31, 2017, the Long-Term Care Fund had a payable to EagleCare of approximately $13,333 primarily for accrued labor and related benefits. The Long-Term Care Fund also had a payable to ASC at December 31, 2017 of approximately $6,119 for outstanding management services rendered to be paid from operations.

Note 18: Federal Investigation

In September 2015, authorities, including federal prosecutors, publicly acknowledged an investigation involving the activities of certain former ASC employees and others as to possible violations of relevant law. The relationship of ASC and the Corporation is more fully described in Note 17. Both the Corporation and ASC are fully cooperating with these authorities and their investigation. Concurrent with the federal investigation, the Corporation and ASC conducted their own internal investigations of the individuals' activities and shared this information with the federal authorities. By law, the federal authorities cannot and will not share the results of their investigation with others, including the Corporation and ASC. In October 2016, federal authorities filed criminal charges against ASC's former Chief Executive Officer, Chief Operating Officer and others alleging fraudulent conduct in connection with the operation of the nursing facilities, including alleged mail and wire fraud, healthcare fraud, anti-kickback violations and money laundering. The alleged charges focus on the defendants' dealings with various vendors supplying goods and services to the Corporation. These defendants pleaded guilty in 2017 and are scheduled to be sentenced in 2018.

During 2017, the Corporation and ASC entered into a Settlement Agreement and Mutual Release (Settlement Agreement). The Settlement Agreement forever releases and discharges both the Corporation and ASC from any and all claims that could be alleged in connection with claims associated with the investigation and terminates a previously executed indemnification agreement associated with the investigation between ASC and the Corporation. In exchange, ASC agreed to pay the Corporation $15,500 for damages incurred by the Corporation as a result of the fraudulent actions of former employees of ASC and others conspiring with them. As of December 31, 2017, the Corporation general fund recognized an outstanding receivable of $13,500 for the portion not yet received, and revenues of $2,750 with $12,750 as unavailable revenue in deferred inflows of resources. The Settlement Agreement provides for structured payments to satisfy the outstanding balance, as defined in the agreement and is partially secured by a letter of credit benefitting the Corporation.

The Settlement Agreement also requires ASC to pay the Corporation the aggregate amount imposed by any Governmental Authority for penalties, fines and interest, as well as certain administrative expenses, in connection to amending any cost reports that may be required. It is possible that the criminal fraud caused the Corporation's cost reports previously submitted to a Governmental Authority to be overstated, which, in turn, caused a Governmental Authority to issue overpayments to the Corporation. Such overpayments by a Governmental Authority to the Corporation as a result of the fraudulent actions, if any, could result in an obligation to the Governmental Authority, which may be the responsibility of the Corporation.

Because of the inherent uncertainties related to the investigation, the resultant use of estimates, assumptions and judgments, and external factors beyond our control, accruals, possible asset impairment or expense classification are based upon the best information available at the date of these financial statements. While management understands the investigation is nearing completion, available information remains limited. As additional information becomes available, management will reassess the financial statements with respect to the investigation related to any pending inspections, internal investigations, inquiries and claims and may revise estimated exposure or the related disclosures, as appropriate, and these reassessments could have a material impact on the financial statements and related disclosures.

Note 19: Nursing Home Leases

The Corporation has entered into various transactions with entities related to ASC and unrelated third parties involving the leasing of buildings and purchasing of equipment for the operation of nursing homes throughout the state of Indiana with terms through March 2026. These transactions require the Corporation to make monthly lease payments, ranging from $20 to $207 per home. Certain transactions require the lease payments to increase by the greater of the Consumer Price Index (CPI) or a set percentage as defined in each agreement, which is typically 2% to 3%. Additionally, many of the leases have optional extensions available to the Corporation in five-year increments.

The Corporation is required to make various capital improvements for many of these facilities, ranging from $30 to $297 annually per home. In the same way as the lease payments above, these amounts increase annually. The Corporation expects to fund the capital improvements from cash flows generated from the operations of each nursing home.

The Corporation is required to provide security deposits for 45 of the nursing homes. As a result, irrevocable standby letters of credit in the aggregate amount of $11,374 exist to provide the required security.

Various unrelated third parties serve as the landlords for 70 of the Corporation’s nursing facilities. Lease payments to these third parties in 2017 approximated $66,955.

Note 20: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2017, the Corporation received $127,037 in tax cash receipts and $575 in special assessment fees cash receipts from the County for the "Clean and Lien" program to clean up vacant lots. The Corporation paid the County $452 in 2017 for autopsy and death reports, vital records, coroner fees and other matters. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2017.

Note 21: Joint Ventures

The Corporation was a 50% member in MDwise, as well as MDwise Medicaid Network, Inc. (Excel) throughout 2017. On December 29, 2017, the Corporation transferred its membership interests in MDwise and Excel to an unrelated third party. MDwise is a not-for-profit corporation that contracts with the State of Indiana through the Office of Medicaid Policy and Planning and the Office of Children's Health Insurance Program, to arrange for and administer a risk-based managed care program for certain Indiana Medicaid enrollees. Excel was created to supplement the operations of MDwise and assumes risk for Medicaid products. The investments were recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method through December 29, 2017 when the Corporation transferred its membership interests. The Corporation's divestiture of its membership interests in MDwise and Excel resulted in the recognition of a gain of $66,575 within the 2017 statement of activities and statement of revenues, expenses and changes in net position. Included within the membership transfer agreement was a requirement for a portion of the total purchase price to be placed in escrow and distributed to the Corporation (and the other 50% member) over a period of approximately three years from the transfer date. As a result, the Corporation holds an asset as of December 31, 2017 within the Eskenazi fund for $35,473, of which management expects a significant portion to be distributed to the Corporation during 2018, once periodic true-up of balances occur.

During 2015, the Corporation entered into a joint venture to create MDwise Marketplace, Inc. (Marketplace), which is a not-for-profit corporation that operates as a health maintenance organization and contracts with health care providers. The investment is recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method. The carrying value of this joint venture at December 31, 2017 was $4,750.

(Dollars in thousands)

The Corporation also entered into a joint venture to create MDwise Network, Inc. (Connect), which was created to supplement the operations of Marketplace. The investments in Marketplace and Connect are recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method and the Corporation is a 49% member of each. The carrying value of the Connect joint venture at December 31, 2017 was $2,166.

Complete financial statements for MDwise, Marketplace, Connect and Excel can be obtained from administrative offices at 1200 Madison Avenue, Suite 400, Indianapolis, Indiana 46225.

The Corporation is a 50% partner in the HHC-HTA, LLC (formerly HHC/Duke Realty Development LLC) (LLC). LLC is a limited liability corporation established by the Corporation and Duke Realty to jointly develop and construct an office building located on the Eskenazi Health Campus. The office building is owned by the LLC. The Corporation owns the land under the building and has leased the land to the LLC for 50 years. The Corporation is expected to be the sole primary lessee of the building for the next 30 years but does have the authority to sublet as it wishes. The lease entered into by the Corporation was effective November 1, 2013 and has an escalation rate of 7.75% every five years. Future minimum lease payments required to be paid under the lease are included within the governmental activities as reported earlier in these notes. The Corporation, as a partner in the LLC, also receives a return on its equity investment equal to 8.25% over the life of the lease. The LLC will continue to own the building at the end of the 30 year lease. However, the Corporation may purchase the building at market value or continue to lease the building from the LLC at the end of the original lease period. The investment in the LLC is recorded in the governmental activities of the statement of net position and is accounted for under the equity method. The carrying value of this joint venture at December 31, 2017 was $37,921. Complete financials for the LLC can be obtained from the Healthcare Trust of America administrative offices at 1300 Hospital Drive, Suite 170, Mount Pleasant, SC 29464.

The financial position and results of operations of the investee for the Corporation's governmental activities are summarized below:

	HHC-HTA, LLC
Current assets	$ 8,585
Property and other long-term assets, net	69,767
Total assets	78,352
Total liabilities	2,510
Members' equity	$ 75,842
Revenues	$ 9,459
Excess of revenues over expenses	$ 5,073

(Dollars in thousands)

The financial position and results of operations of the investee for the Corporations business-type activities are summarized below:

	Marketplace	Connect
Current assets	$ 31,713	$ 47,630
Property and other long-term assets, net	500	-
Total assets	32,213	47,630
Current liabilities	21,211	43,210
Long-term liabilities	1,307	-
Total liabilities	22,518	43,210
Members' equity	$ 9,695	$ 4,420
Revenues	$ 146,412	$ 140,210
Excess (deficit) of revenues over expenses	$ 292	$ (31,151)

Note 22: Explanation of Certain Differences Between Governmental Fund Financial Statements and the Government-Wide Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements (excludes matured bond principal and interest)." The details of this amount are as follows:

Bonds payable (including premium)	$ 186,336
Capital lease obligations	443,946
Asserted and unasserted self-insurance claims	491
Accrued compensated absences	7,241
	$ 638,014

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

(Dollars in thousands)

Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items." The details of this amount are as follows:

Principal repayments on debt:		
General obligation bonds	$	4,850
Capital leases		10,389
	$	15,239

Note 23: Concentrations of Credit Risk

Eskenazi Health and Long-Term Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of net patient service receivables from patients and third-party payers at December 31, 2017 is as follows:

Commercial insurance	23%
Medicare	27%
Medicaid	30%
Self-pay	14%
Other	6%
	100%

Note 24: Contingencies

Litigation

In addition to pending medical malpractice claims, the Corporation has other litigation pending against it. It is the opinion of management that losses, if any, from pending litigation will not have a material adverse effect on its financial position, results of operations or liquidity.

As of December 31, 2017, the Corporation is a defendant in a lawsuit in which plaintiffs allege inappropriate billing and collection practices related to hospital liens resulting in unjust enrichment to the Corporation, fraud, and breach of contract. The plaintiffs are seeking class certification on behalf of a class of similarly situated persons. The Corporation intends to vigorously defend this matter and believes it is too early to determine a likely outcome or a likely amount of damages.

Patient Billing Audit

During 2017, Eskenazi Health was subject to several Compliance Surveillance and Utilization Reviews from the Indiana Family & Social Services Administration. As a result of these reviews, Eskenazi Health received demand letters alleging extrapolated overpayments relating to the Indiana Medicaid Rehabilitation Option program as well as other programs at Eskenazi Health. Eskenazi Health conducted an in-depth review to determine the validity of each item noted within the reviews and is vigorously defending the results of this review. Based on management's review and advice of legal counsel, management has recognized an estimate of the amount of ultimate expected loss as of December 31, 2017. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Government Grants

The Corporation participates in a number of federal financial assistance programs. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Corporation expects such amounts, if any, to be immaterial.

Required Supplementary Information
(Other Than MD&A) (Unaudited)

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Required Supplementary Information
Schedule of Corporation's Proportionate Share of the Net Pension Liability
Indiana Public Employees' Retirement Fund (PERF)
Last 10 Fiscal Years*

(Dollars in thousands)

	2017	2016	2015	2014
Corporation's proportion of the net pension liability	4.1264%	4.4914%	4.6000%	4.8248%
Corporation's proportionate share of the net pension liability	$ 184,103	$ 203,839	$ 187,353	$ 126,794
Corporation's covered payroll	$ 204,720	$ 215,254	$ 220,331	$ 235,563
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	90%	95%	85%	54%
Plan fiduciary net position as a percentage of the total pension liability	77%	75%	77%	84%

* The amounts presented for each fiscal year were determined as of June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: no changes

Changes of assumptions: no changes

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Required Supplementary Information
Schedule of Corporation Contributions
Indiana Public Employees' Retirement Fund (PERF)
Last 10 Fiscal Years*
(Dollars in thousands)

	2017	2016	2015	2014
Contractually required contribution	$ 22,244	$ 23,175	$ 24,534	$ 26,107
Contributions in relation to the contractually required contribution	22,244	23,175	24,534	26,107
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Corporation's covered payroll	$ 197,353	$ 206,962	$ 219,944	$ 195,739
Contributions as a percentage of covered payroll	11.27%	11.20%	11.15%	13.34%

* The amounts presented for each fiscal year were determined as of December 31.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: no changes

Changes of assumptions during 2017:

- For active and inactive vested members, a salary load of $400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment
- For disabled members, the mortality assumption was updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

Changes in actuarial methods: no changes

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Required Supplementary Information - Budgetary Comparison
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2017

(Dollars in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 117,894	$ 117,894	$ 121,938	$ 4,044
Licenses and permits	4,503	4,503	4,576	73
Intergovernmental	580	580	580	-
Charges for services	1,700	1,700	1,456	(244)
Medicaid special revenue (net of intergovernmental transfers)	(63,331)	(63,331)	7,096	70,427
Interest	150	150	1,635	1,485
Grants	22,216	22,216	24,339	2,123
Miscellaneous	13,717	13,717	16,034	2,317
Total revenues	97,429	97,429	177,654	80,225
Expenditures				
Personal services	62,985	62,985	62,962	23
Supplies	8,480	8,480	4,146	4,334
Other charges and services	108,828	108,828	47,969	60,859
Capital outlays	2,290	2,290	2,076	214
Total expenditures	182,583	182,583	117,153	65,430
Other Financing Uses				
Transfers in	284,000	284,000	240,329	(43,671)
Transfers out	(198,277)	(198,277)	(204,546)	(6,269)
Total other financing uses	85,723	85,723	35,783	(49,940)
Net change in fund balances	569	569	96,284	95,715
Fund balances - beginning of year	38,824	38,824	287,639	248,815
Fund balances - end of year	$ 39,393	$ 39,393	$ 383,923	$ 344,530

Budgets and Budgetary Accounting

The Corporation is required by state statute to prepare a budget each calendar year. The budget is prepared for the General, Debt Service and Capital Projects, but is not required for certain activities of the Capital Projects Funds since they are controlled by bond indentures. The Corporation's annual budget is subjected to review by the Corporation's Board of Trustees and the City-County Council, and approved by the State of Indiana Department of Local Government Finance (DLGF). Any additional appropriations that increase the total expenditures require approval by the Corporation's Board of Trustees and the DLGF. Any decreases to total appropriated expenditures require the approval by the Corporation's Board of Trustees but not the DLGF. Budgetary control is exercised at the object of expenditure level. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, and by object of expenditure, remains unchanged.

The General, Capital Projects, and Debt Service Funds budgets are adopted on a basis not consistent with GAAP for revenue as it is a mix of accrual and cash basis. Encumbrances are treated as expenditures for the year in which the commitment to purchase is incurred for budgetary purposes.

Encumbrance Accounting

For accounting purposes, purchase orders, contracts and other anticipated obligations to expend monies are recorded as encumbrances in governmental fund types in order to reserve that portion of the applicable appropriation. Encumbrances and their underlying appropriations do not lapse with the expiration of the budget period.

Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

The schedule of revenues, expenditures and changes in fund balances - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because the budgetary and GAAP presentations of actual data differ for the General Fund expenditures, a reconciliation of the two presentations is presented below for the General Fund.

Net change in fund balance - GAAP basis	$	18,956
Add (Deduct):		
Encumbrances as of year-end		(5,397)
Change in prepaid expenditures		(20)
Change in accounts receivable		83,196
Change in accounts payable		(1,533)
Change in self-insurance claims		340
Change in accrued expense		742
Net change in fund balance - Budgetary Basis	$	96,284

Other Supplementary Information

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2017
(Dollars in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 4,713	$ 4,713	$ 4,814	$ 101
Interest	1	1	57	56
Miscellaneous	10,055	10,055	10,115	60
Total revenues	14,769	14,769	14,986	217
Expenditures				
Principal retirement	4,850	4,850	15,238	(10,388)
Interest and fiscal charges	50,927	50,927	40,497	10,430
Total expenditures	55,777	55,777	55,735	42
Excess of revenues over expenditures	(41,008)	(41,008)	(40,749)	259
Other Financing Sources				
Transfers in	40,993	40,993	40,932	(61)
Total other financing sources	40,993	40,993	40,932	(61)
Net change in fund balances	(15)	(15)	183	198
Fund balances - beginning of year	(86,658)	(86,658)	3,661	90,319
Fund balances - end of year	$ (86,673)	$ (86,673)	$ 3,844	$ 90,517

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2017

(Dollars in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 213	$ 213	$ 222	$ 9
Interest	10	10	482	472
Miscellaneous	-	-	2,000	2,000
Total revenues	223	223	2,704	2,481
Expenditures				
Capital outlays	15,000	15,000	3,193	11,807
Total expenditures	15,000	15,000	3,193	11,807
Excess of revenues over expenditures	(14,777)	(14,777)	(489)	14,288
Other Financing Sources				
Transfers in	15,000	15,000	15,000	-
Total other financing sources	15,000	15,000	15,000	-
Net change in fund balances	223	223	14,511	14,288
Fund Balances - beginning of year	(55,950)	(55,950)	55,326	111,276
Fund balances - end of year	$ (55,727)	$ (55,727)	$ 69,837	$ 125,564

Statistical Section (Unaudited)

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Statistical Section (Unaudited)
Table of Contents

The statistical section of this report presents detailed information in order to understand what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Financial Trends

Tables I-IV contain trend information to help the reader understand how the Corporation's financial performance and well-being have changed over time.

Revenue Capacity

Tables V-VIII contain information to help the reader assess one of the Corporation's most significant sources of revenue, property taxes.

Debt Capacity

Tables IX-XII present information to help the reader assess the affordability of the Corporation's current levels of outstanding debt and the Corporation's ability to issue additional debt in the future.

Demographic and Economic Information

Tables XIII and Table XIV offer demographic and economic indicators to help the reader understand the environment within which the Corporation's financial activities take place.

Operating Information

Tables XV-XVII contain service and infrastructure data to help the reader understand how the information in the Corporation's financial report relates to the services the Corporation provides and the activities it performs.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table I

Net Position by Component - Accrual Basis of Accounting

Last Ten Fiscal Years

(Dollars in thousands)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Primary Government										
Governmental activities										
Net investment in capital assets	$ 22,108	$ 16,462	$ 29,633	$ 9,860	$ 12,506	$ 10,475	$ 19,442	$ (824)	$ (25,570)	$ (17,519)
Restricted	243	412	165	568	640	-	-	6,981	-	-
Unrestricted	(148,962)	(200,702)	(300,861)	(346,636)	(400,647)	272,217	153,755	184,368	239,171	237,622
Total governmental activities net position	$ (126,611)	$ (183,828)	$ (271,063)	$ (336,208)	$ (387,501)	$ 282,692	$ 173,197	$ 190,525	$ 213,601	$ 220,103
Business-type activities										
Net investment in capital assets	$ 732,588	$ 765,328	$ 766,711	$ 799,874	$ 825,154	$ 121,147	$ 98,754	$ 120,296	$ 154,872	$ 124,917
Restricted	-	-	-	-	1,235	-	-	171	700	732
Unrestricted	220,560	123,917	186,470	308,634	178,070	181,699	134,746	114,974	88,436	99,749
Total business-type activities net position	$ 953,148	$ 889,245	$ 953,181	$ 1,108,508	$ 1,004,459	$ 302,846	$ 233,500	$ 235,441	$ 244,008	$ 225,398
Primary Government										
Net investment in capital assets	$ 754,696	$ 781,790	$ 796,344	$ 809,734	$ 837,660	$ 131,622	$ 118,196	$ 119,472	$ 129,302	$ 107,398
Restricted	243	412	165	568	1,875	-	-	7,152	700	732
Unrestricted	71,598	(76,785)	(114,391)	(38,002)	(222,577)	453,916	288,501	299,342	327,607	337,372
Total primary government net position	$ 826,537	$ 705,417	$ 682,118	$ 772,300	$ 616,958	$ 585,538	$ 406,697	$ 425,966	$ 457,609	$ 445,502

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table II

Schedule of Changes in Net Position - Accrual Basis of Accounting

Last Ten Fiscal Years

(Dollars in thousands)

	Years Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Administration and finance	$ 41,372	$ 35,579	$ 32,283	$ 33,152	$ 27,171	$ 27,704	$ 23,045	$ 28,401	$ 24,180	$ 27,874
Healthcare delivery	103,450	120,086	85,678	108,604	100,675	93,738	-	-	-	-
Health improvement	36,061	35,062	32,540	30,227	28,528	29,487	28,918	28,146	27,633	25,528
Communicable disease prevention	17,613	17,374	16,531	15,538	15,220	13,910	14,389	14,697	14,707	12,223
Water quality and hazardous materials management	2,506	2,439	2,365	2,213	2,076	1,984	2,006	1,919	1,910	1,839
Vector disease control	3,443	3,593	3,347	3,545	3,515	3,411	3,955	3,906	3,872	3,804
Housing and neighborhood health	4,953	5,055	4,930	5,180	5,224	6,365	6,987	6,992	6,967	6,143
Consumer and employee risk reduction	2,034	1,944	1,841	1,808	1,693	1,712	1,796	1,916	1,694	1,580
Interest on long-term debt	40,425	41,250	39,406	40,572	41,925	39,583	49,637	2,360	2,519	2,653
Total governmental activities expenses	251,857	262,382	218,921	240,839	226,027	217,894	130,733	88,337	83,482	81,644
Business-type activities										
Eskenazi Health	717,858	664,886	617,220	588,246	538,715	520,311	519,775	487,807	459,733	457,458
LT Care	719,059	717,573	672,134	600,063	571,764	549,408	426,847	366,853	310,478	240,119
Total business-type activities expenses	1,436,917	1,382,459	1,289,354	1,188,309	1,110,479	1,069,719	946,622	854,660	770,211	697,577
Total primary government expenses	$ 1,688,774	$ 1,644,841	$ 1,508,275	$ 1,429,148	$ 1,336,506	$ 1,287,613	$ 1,077,355	$ 942,997	$ 853,693	$ 779,221
Program Revenues										
Governmental activities										
Charges for services										
Administration and finance (1)	$ 17,514	$ 4,944	$ 4,853	$ 5,019	$ 3,602	$ 982	$ 3,376	$ 583	$ 11,553	$ 24,836
Healthcare delivery	-	-	3,843	-	-	-	-	-	-	-
Health improvement	3,594	3,662	472	3,198	2,389	3,055	2,259	2,421	2,344	2,324
Communicable disease prevention	562	516	366	472	663	557	559	631	572	534
Water quality and hazardous materials management	366	373	567	360	357	356	353	353	357	353
Vector disease control	722	614	87	449	500	552	563	753	687	615
Housing and neighborhood health	92	116	2,370	361	417	413	469	318	417	436
Consumer and employee risk reduction	2,496	2,405	33,446	2,281	2,183	2,149	2,178	2,109	2,023	1,906
Operating grants and contributions (1)	27,295	33,768	336	72,403	54,429	57,702	47,974	44,127	18,304	15,514
Capital grants and contributions	2,025	13	-	-	6,000	16,148	1,533	3,105	3,124	1,527
Total governmental activities program revenues	54,666	46,411	46,340	84,543	70,540	81,914	59,264	54,400	39,381	48,045

(1) Certain intergovernmental revenues have been reclassified in 2010-2015; amounts in prior years have not been revised.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table II - Continued
Schedule of Changes in Net Position - Accrual Basis of Accounting
Last Ten Fiscal Years
(Dollars in thousands)

	Years Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities										
Charges for services										
Eskenazi Health	$ 536,369	$ 385,019	$ 393,516	$ 441,151	$ 326,832	$ 380,864	$ 261,819	$ 252,468	$ 250,657	$ 235,272
LT Care	958,177	990,101	892,469	807,418	763,693	690,329	574,233	429,785	381,662	288,985
Operating grants and contributions	29,071	26,566	27,621	24,942	20,534	20,058	20,460	18,703	21,669	16,647
Capital grants and contributions	-	-	-	-	2,224	-	-	769	-	-
Total business-type activities program revenue	1,523,617	1,401,686	1,313,606	1,273,511	1,113,283	1,091,251	856,512	701,725	653,988	540,904
Total primary government program revenues	$ 1,578,283	$ 1,448,097	$ 1,359,946	$ 1,358,054	$ 1,183,823	$ 1,173,165	$ 915,776	$ 756,125	$ 693,369	$ 588,949
Net program (expense)/revenue										
Governmental activities	$ (197,191)	$ (215,971)	$ (172,581)	$ (156,296)	$ (155,487)	$ (135,981)	$ (71,467)	$ (33,937)	$ (44,103)	$ (33,601)
Business-type activities	86,700	19,227	24,251	85,202	2,805	21,532	(90,109)	(152,934)	(116,223)	(156,674)
Total primary government net expense	$ (110,491)	$ (196,744)	$ (148,330)	$ (71,094)	$ (152,682)	$ (114,449)	$ (161,576)	$ (186,871)	$ (160,326)	$ (190,275)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property and HCI taxes	$ 119,300	$ 113,931	$ 110,577	$ 111,475	$ 106,708	$ 105,628	$ 104,742	$ 105,793	$ 99,657	$ 97,126
Excise taxes	6,413	5,949	5,604	5,762	5,518	5,552	5,269	5,252	5,278	6,927
Financial institution taxes	1,261	1,402	1,300	1,226	1,287	1,286	1,319	1,275	1,478	1,284
Medicaid special revenue	23,429	87,487	65,467	79,228	63,708	168,170	14,374	39,048	61,820	87,227
Build America Bonds interest subsidies	10,115	10,105	10,083	10,061	9,985	10,848	13,775	-	-	-
Unrestricted investment earnings	2,174	316	158	88	580	356	1,316	2,482	795	4,057
Transfers	91,716	84,016	67,697	(251)	(700,662)	(46,363)	(86,656)	(142,990)	(131,428)	(145,312)
Total governmental activities	254,408	303,206	260,886	207,589	(512,876)	245,477	54,139	10,860	37,600	51,309

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table II - Continued

Schedule of Changes in Net Position - Accrual Basis of Accounting

Last Ten Fiscal Years

(Dollars in thousands)

	Years Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities										
Unrestricted investment earnings	$ 2,344	$ 854	$ (13)	$ 154	$ (1,853)	$ 1,451	$ 1,511	$ 1,377	$ 3,404	$ 6,056
Special items	66,575	-	-	-	-	-	-	-	-	-
Transfers	(91,716)	(84,016)	(67,697)	251	700,662	46,363	86,656	142,990	131,428	145,312
Total general revenues, special items and transfers	(22,797)	(83,162)	(67,710)	405	698,809	47,814	88,167	144,367	134,832	151,368
Total primary government	$ 231,611	$ 220,044	$ 193,176	$ 207,994	$ 185,933	$ 293,291	$ 142,306	$ 155,227	$ 172,432	$ 202,677
Change in Net Position										
Governmental activities	$ 57,217	$ 87,235	$ 88,305	$ 51,293	$ (668,362)	$ 109,495	$ (17,327)	$ (23,076)	$ (6,503)	$ 17,709
Business-type activities	63,903	(63,935)	(43,459)	85,606	701,613	69,346	(1,941)	(8,567)	18,599	(5,305)
Total primary government	$ 121,120	$ 23,300	$ 44,846	$ 136,899	$ 33,251	$ 178,841	$ (19,268)	$ (31,643)	$ 12,096	$ 12,404

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table III

Fund Balances, Governmental Funds - Modified Accrual Basis of Accounting

Last Ten Fiscal Years (1)

(Dollars in thousands)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,120	$ 2,985	$ 6,269
Unreserved	-	-	-	-	-	-	-	149,038	158,561	146,844
Nonspendable	348	328	369	342	401	478	418	-	-	-
Assigned	5,397	2,326	1,640	1,073	950	2,252	3,175	-	-	-
Unassigned	376,632	360,767	297,574	245,037	178,952	227,496	131,937	-	-	-
Total general fund	$ 382,377	$ 363,421	$ 299,583	$ 246,452	$ 180,303	$ 230,226	$ 135,530	$ 153,158	$ 161,546	$ 153,113
All Other Governmental Funds										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 189,575	$ -	$ -
Unreserved, reported in										
Debt service fund	-	-	-	-	-	-	-	(1,260)	(1,882)	(3,631)
Capital projects fund	-	-	-	-	-	-	-	23,895	65,127	64,318
Restricted, reported in										
Debt service fund	16,211	16,162	16,160	16,148	16,119	16,035	17,494	-	-	-
Capital projects fund	-	-	-	-	845	62,634	123,726	-	-	-
Assigned, reported in										
Debt service fund	1,207	1,073	971	1,291	709	12	-	-	-	-
Capital projects fund	57,963	43,637	30,247	17,600	16,550	13,560	-	-	-	-
Unassigned, reported in										
Debt service fund	-	-	-	-	-	-	(634)	-	-	-
Total all other governmental funds	$ 75,381	$ 60,872	$ 47,378	$ 35,039	$ 34,223	$ 92,241	$ 140,586	$ 212,210	$ 63,245	$ 60,687

(1) In 2011, the Corporation adopted GASB Statement No. 54, *Fund Balance* Reporting *and Governmental Fund Type Definitions*. While the 2011 - 2015 amounts reflect the new fund balance classifications, prior year amounts have not been reclassified and are therefore not comparable.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table IV

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(Dollars in thousands)

	Years Ending December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	$ 126,974	$ 121,282	$ 117,481	$ 118,464	$ 113,513	$ 112,466	$ 111,331	$ 128,506	$ 126,281	$ 88,337
Licenses and permits	4,576	4,487	4,464	4,342	4,112	3,902	3,933	3,857	3,775	3,701
Intergovernmental	19,343	18,502	18,126	16,329	53,467	58,177	36,825	48,872	19,936	18,820
Charges for services	1,456	1,855	1,105	1,182	1,314	1,148	1,171	1,342	16,135	20,150
Medicaid special revenue	26,581	89,452	58,910	104,327	37,142	167,936	14,374	39,800	62,927	126,525
Build America Bonds interest subsidies	10,115	10,105	10,083	10,061	9,985	10,848	13,775	-	-	-
Contributions	8,048	15,000	15,500	57,710	6,000	16,000	12,900	-	-	-
Investment income	3,899	3,366	2,208	3,413	170	356	1,316	2,482	795	4,057
Miscellaneous	9,468	5,770	4,511	3,779	2,399	2,747	4,410	3,344	242	5,470
Total revenues	210,460	269,819	232,388	319,607	228,102	373,580	200,035	228,203	230,091	267,060
Expenditures										
Administrative	42,008	35,846	31,883	29,593	25,135	24,869	23,875	25,458	21,572	23,284
Population health	26,620	26,680	25,722	25,116	24,776	22,599	23,718	22,643	21,001	19,817
Environmental health	11,781	12,213	11,958	12,503	12,333	12,791	12,402	11,885	11,567	10,964
Health center program	896	1,103	1,026	1,071	965	1,155	1,615	1,492	2,012	1,630
Data processing	4,940	4,144	3,747	3,500	3,556	3,234	3,035	2,933	2,865	2,972
Grants program	18,412	17,825	17,107	15,597	14,697	15,090	16,547	18,325	20,059	15,929
Capital outlays	4,868	2,871	3,755	15,635	275,368	286,375	158,620	107,499	4,236	1,124
Debt service										
Principal	15,239	14,426	16,280	15,119	13,810	13,300	2,455	1,955	1,840	1,958
Interest and fiscal charges	40,497	41,307	39,456	40,617	41,925	39,583	49,637	2,360	2,519	2,685
Bond issuance costs	-	-	-	-	-	-	-	1,834	-	-
Intergovernmental	103,450	120,086	85,678	108,604	100,675	93,738	-	-	-	-
Total expenditures	268,711	276,501	236,612	267,355	513,240	512,734	291,904	196,384	87,671	80,363
Excess (deficiency) of revenues over (under) expenditures	(58,251)	(6,682)	(4,224)	52,252	(285,138)	(139,154)	(91,869)	31,819	142,420	186,697

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table IV - Continued

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(Dollars in thousands)

	Years Ending December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other Financing Sources (Uses)										
Proceeds of bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 195,000	$ -	$ -
Premium on bonds issued	-	-	-	-	-	-	-	3,908	-	-
Other debt issued	-	-	-	94	151,304	190,305	89,273	52,839	-	-
Transfers in	296,262	357,047	300,974	205,984	277,856	175,086	138,174	37,000	55,000	30,300
Transfers out	(204,546)	(273,031)	(231,282)	(191,364)	(251,963)	(179,886)	(224,831)	(179,990)	(186,428)	(175,612)
Total other financing sources (uses), net	91,716	84,016	69,692	14,714	177,197	185,505	2,616	108,757	(131,428)	(145,312)
Net change in fund balances	$ 33,465	$ 77,334	$ 65,468	$ 66,966	$ (107,941)	$ 46,351	$ (89,253)	$ 140,576	$ 10,992	$ 41,385
Debt service as a percentage of noncapital expenditures	21.1%	20.4%	23.9%	22.1%	22.0%	23.4%	37.9%	6.9%	5.2%	5.9%
Debt service expenditures	$ 55,736	$ 55,733	$ 55,736	$ 55,736	$ 55,735	$ 52,883	$ 52,092	$ 6,149	$ 4,359	$ 4,643
Noncapital expenditures	263,843	273,630	232,857	251,999	253,072	226,358	137,490	88,884	83,436	79,239

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table V

Assessed Value and Estimated Actual Value of Taxable Property

December 31, 2017

(Dollars in thousands)

	Real Property		Personal Property		Total		Total
Year	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	Direct Tax Rate
2017	$ 37,570,129	$ 37,570,129	$ 6,659,770	$ 6,659,770	$ 44,229,899	$ 44,229,899	0.2076
2016	36,739,079	36,739,079	6,325,056	6,325,056	43,064,135	43,064,135	0.2016
2015	36,808,352	36,808,352	6,160,989	6,160,989	42,969,341	42,969,341	0.1932
2014	33,971,641	33,971,641	5,972,597	5,972,597	39,944,238	39,944,238	0.2029
2013	34,038,407	34,038,407	5,841,671	5,841,671	39,880,078	39,880,078	0.1982
2012	33,922,279	33,922,279	5,467,373	5,467,373	39,389,652	39,389,652	0.1874
2011	34,203,195	34,203,195	5,449,472	5,449,472	39,652,667	39,652,667	0.1805
2010	30,071,882	30,071,882	5,745,524	5,745,524	35,817,406	35,817,406	0.1595
2009	31,039,406	31,039,406	5,657,964	5,657,964	36,697,370	36,697,370	0.1543
2008	38,250,226	38,250,226	5,454,450	5,454,450	43,704,676	43,704,676	0.2114

(1) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

Source: Marion County Auditor

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table VI

Property Tax Rates - Direct and Overlapping Governments [2]

December 31, 2017

						County Direct Rates		Other Direct Rates			Total Direct and Overlapping
Year	Operations	Debt	Cumulative Building	Total	City	County	Municipal Corporations	School	State	Other	Rates (1)
2017	0.1954	0.0116	0.0006	0.2076	0.7313	0.3943	0.2441	0.9735	-	0.0619	2.6127
2016	0.1891	0.0119	0.0006	0.2016	0.7136	0.3883	0.2438	1.4170	-	0.0630	3.0273
2015	0.1816	0.0110	0.0006	0.1932	0.7069	0.3825	0.2273	1.3504	-	0.0607	2.9210
2014	0.1889	0.0134	0.0006	0.2029	0.7667	0.4034	0.2311	1.2889	-	0.0620	2.9550
2013	0.1811	0.0165	0.0006	0.1982	0.9802	0.3932	0.2332	1.4829	-	0.0607	3.3484
2012	0.1740	0.0128	0.0006	0.1874	1.0034	0.4007	0.2084	1.2711	-	0.0670	3.1380
2011	0.1640	0.0159	0.0006	0.1805	0.9525	0.3665	0.1880	1.4065	-	0.0615	3.1555
2010	0.1494	0.0095	0.0006	0.1595	0.8673	0.3534	0.1687	1.3692	-	0.0615	2.9796
2009	0.1440	0.0097	0.0006	0.1543	0.8634	0.3513	0.1711	1.1569	-	0.0578	2.7548
2008	0.2023	0.0085	0.0006	0.2114	0.8920	0.4847	0.1407	1.7668	0.0024	0.0510	3.5490

(1) Rate of District 101 (Indianapolis - Center Township), which is the only rate that includes all major services.

(2) Data presented is per the tax rate schedule certified by the Department of Local Government Finance (DLGF).

Source: Marion County Auditor’s Office.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table VII

Principal Property Tax Payers

Current Year and Nine Years Ago

December 31, 2017

(Dollars in thousands)

	2017				2008			
	Taxpayers	Net Taxable Assessed Valuation (1) (2) (in thousands)	Rank	Percentage of Total City Taxable Assessed Valuation	Taxpayers	Net Taxable Assessed Valuation (2) (3) (in thousands)	Rank	Percentage of Total City Taxable Assessed Valuation
1	Eli Lilly and Company	$ 1,227,308	1	2.775%	Eli Lilly & Company	$ 1,274,299	1	2.916%
2	Citizens Energy Group	469,347	2	1.061%	Indianapolis Power and Light Company	375,105	2	0.858%
3	Indianapolis Power and Light Company	305,767	3	0.691%	Indiana Bell	320,937	3	0.734%
4	Federal Express Corporation	287,792	4	0.651%	Simon Property Group, Inc.	319,374	4	0.731%
5	Convention Headquarters Hotels, LLC	180,716	5	0.409%	General Motors Corporation	289,988	5	0.664%
6	Hertz Indianapolis 111 Monument, LLC	154,820	6	0.350%	Sexton Properties	249,597	6	0.571%
7	American United Life Insurance Company	94,299	7	0.213%	Citizens Energy Group	183,897	7	0.421%
8	SVC Manufacturing	91,576	8	0.207%	Macquarie Office Monument	181,601	8	0.416%
9	Castleton Square, LLC	80,872	9	0.183%	American United Life	157,193	9	0.360%
10	Southwest Airlines Co.	73,260	10	0.166%	Community Hospitals Foundation, Inc.	130,955	10	0.300%
11	Keystone Investors, LLC	68,906	11	0.156%	n/a	-	11	0.000%
12	DOW Agrosciences, LLC	65,555	12	0.148%	n/a	-	12	0.000%
13	Ingredion Inc.	63,887	13	0.144%	n/a	-	13	0.000%
14	NG 211 N. Pennsylvania St., LLC	62,712	14	0.142%	n/a	-	14	0.000%
15	HPT Indianapolis 101-115 West Washington LLC	61,504	15	0.139%	n/a	-	15	0.000%
16	Verizon Wireless	60,678	16	0.137%	n/a	-	16	0.000%
17	Axis FC LLC	58,729	17	0.133%	n/a	-	17	0.000%
18	Circle Centre Development Co.	58,381	18	0.132%	n/a	-	18	0.000%
19	Rolls-Royce Corporation	58,140	19	0.131%	n/a	-	19	0.000%
20	Summit Hospitality 22, LLC	53,641	20	0.121%	n/a	-	20	0.000%
		$ 3,577,890		8.089%		$ 3,482,946		7.969%

(1) Represents the March 1, 2016 valuations for taxes due and payable in 2017 as represented by the taxpayer.

(2) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office.

(3) Data from the 2008 Health and Hospital Corporation's Comprehensive Annual Financial Report.

n/a = Not available.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table VIII

Property Tax Levies and Collections

December 31, 2017

(Dollars in thousands)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	$ 67,831	$ 67,695	99.80%	$ -	$ 67,695	99.80%
2016	63,929	63,418	99.20%	2,083	65,501	102.46%
2015	62,083	59,724	96.20%	1,738	61,462	99.00%
2014	57,993	60,487	104.30%	2,131	62,618	107.98%
2013	58,591	56,482	96.40%	2,214	58,696	100.18%
2012	57,233	54,257	94.80%	2,302	56,559	98.82%
2011	54,745	52,008	95.00%	2,247	54,255	99.11%

(1) Beginning in 2011, delinquent collections were broken down by original levy year in information provided by Marion County Treasurer. Data regarding the prior year collections is not available and therefore is not included in this schedule.

Source: Marion County Auditor's Office

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table IX

Ratios of Outstanding Debt by Type

December 31, 2017

(Dollars in thousands)

	Governmental Activities						Business-Type Activities			
Fiscal Year	General Obligation Bonds of 2005	General Obligation Bonds of 2010	Due to Local Government	Capital Lease	Renovation Bonds of 1988	Notes Payable	Long-Term Care Capital Leases	Total Primary Government	Percentage of Personal Income (1) (2)	Debt Per Capita (1)
2017	$ 17,151	$ 164,945	$ -	$ 443,946	$ 4,240	$ -	$ 387,200	$ 1,017,482	N/A	$ 1,081.01
2016	18,959	166,270	-	454,335	6,140	-	440,737	1,086,441	2.39%	1,156.99
2015	20,693	167,550	-	464,166	7,905	-	485,830	1,146,144	2.57%	1,226.82
2014	23,067	168,785	-	476,096	9,545	-	397,032	1,074,525	2.87%	1,157.54
2013	23,945	177,835	-	479,131	11,075	-	422,712	1,114,698	3.00%	1,212.98
2012	21,295	186,565	322,660	7,488	12,495	-	448,820	999,323	2.71%	1,096.59
2011	22,570	195,000	135,660	6,453	13,815	-	353,794	727,292	2.08%	803.29
2010	23,795	195,000	52,839	-	15,045	-	284,102	570,781	1.69%	631.82
2009	24,610	-	-	-	16,185	-	275,252	316,047	0.94%	354.76
2008	25,390	-	-	-	17,245	-	189,181	231,816	0.69%	263.31

(1) See Table XIII for personal income and population data.

(2) Personal income not available for 2017.

Source: Notes to basic financial statements.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table X

Ratio of Net General Obligation Debt Outstanding

December 31, 2017

(Dollars in thousands)

	Net General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Less: Amounts in Debt Service Funds	Total Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2017	$ 186,336	$ 16,211	$ 170,125	0.38%	$ 180.75
2016	191,369	16,162	175,207	0.41%	186.58
2015	196,148	16,160	179,988	0.42%	209.95
2014	201,397	16,148	185,249	0.46%	216.96
2013	212,855	16,119	196,736	0.49%	231.62
2012	220,355	16,035	204,320	0.52%	241.80
2011	231,385	17,494	213,891	0.54%	255.56
2010	233,840	23,398	210,442	0.59%	258.85
2009	40,795	-	40,795	0.11%	45.79
2008	42,635	-	42,635	0.10%	48.43

Source: Notes to basic financial statements and Marion County Auditor's Office.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XI
Schedule of Direct and Overlapping Debt and Bonded Debt Limit
December 31, 2017
(Dollars in thousands)

	Assessed Value (5)	Bonding Limit %	Bonding Limit Dollar Amount	Debt Outstanding (6)
Direct Debt:				
Health and Hospital Corporation of Marion County	$ 37,570,129	0.67%	$ 251,720	$ 186,336
Other Direct Debt:				
Capital lease obligations - governmental activities				443,946
Total Health and Hospital Corporation debt				$ 630,282
Overlapping:				
Marion County	$ 39,304,706	0.67%	$ 263,342	$ -
City of Indianapolis				
Civil City	$ 36,846,144	0.67%	$ 246,869	$ 59,795
Park District	39,304,706	0.67%	263,342	4,925
Redevelopment District	36,846,144	(3)	-	-
Stormwater Control District	39,304,706	0.67%	263,342	-
Metropolitan Thoroughfare District	39,304,706	1.33%	522,753	24,585
Solid Waste Disposal District	36,893,905	2.00%	737,878	-
Pub Safety Comm and Comp Facilities District	39,304,706	0.67%	263,342	39,145
Premiums on general obligation debt			-	7,306
Total city general obligation debt			$ 2,297,525	135,756
Other Direct Debt:				
Tax increment revenue bonds				583,142
Net revenue bonds				295,000
Note payable and certificate of participations				102,005
Bond anticipation note				23,395
Capital lease obligations - governmental activities				9,531
Total city direct debt				$ 1,148,829
Other Municipal Corporations				
Indianapolis Airport Authority	$ 39,304,706	0.67%	$ 263,342	$ -
Capital Improvement Board	39,304,706	0.67%	263,342	-
Indianapolis-Marion County Building Authority	39,304,706	(1)	-	-
Indianapolis-Marion County Library	38,719,071	0.67%	259,418	67,245
Indianapolis Public Transportation Corp.	37,273,340	0.67%	249,731	-
Total municipal corporations			$ 1,035,833	$ 67,245
School Districts				
Beech Grove	$ 429,053	(4)	$ 36,928	$ 9,561
Decatur	1,639,900	(4)	158,050	5,572
Franklin	2,173,219	(4)	259,393	695
Indianapolis Public Schools	10,749,502	(4)	695,731	12,326
Lawrence	4,827,902	(4)	330,552	37,492
Perry	3,353,785	(4)	170,302	13,265
Pike	4,672,351	(4)	126,317	25,225
Speedway	726,535	(4)	14,531	-
Warren	2,477,950	(4)	122,534	-
Washington	5,861,206	(4)	155,189	24,278
Wayne	2,710,226	(4)	297,870	29,454
Total school districts	$ 39,621,629		$ 2,367,397	$ 157,868

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XI - Continued
Schedule of Direct and Overlapping Debt and Bonded Debt Limit
December 31, 2017
(Dollars in thousands)

	Assessed Value (5)	Bonding Limit %	Bonding Limit Dollar Amount	Bonds Outstanding (6)
Other Cities and Towns				
Beech Grove	$ 427,197	0.67%	$ 2,862	$ 1,205
Lawrence	1,397,970	0.67%	9,366	4,052
Southport	47,761	0.67%	320	310
Speedway	585,635	0.67%	3,924	4,772
Total Other Cities and Towns	$ 2,458,563		$ 16,471	$ 10,339
Townships				
Center	$ 6,158,476	0.67%	$ 41,262	$ -
Decatur	1,497,502	0.67%	10,033	117
Franklin	2,310,140	0.67%	15,478	-
Lawrence	5,190,934	0.67%	34,779	1,345
Perry	3,651,846	0.67%	24,467	-
Pike	4,518,407	0.67%	30,273	-
Warren	3,351,177	0.67%	22,453	-
Washington	8,327,830	0.67%	55,796	-
Wayne	4,060,984	0.67%	27,209	798
Total Townships	$ 39,067,296		$ 261,751	$ 2,260
Excluded Library Districts				
Speedway	$ 585,635	0.67%	$ 3,924	$ 175
Total Excluded Library Districts	$ 585,635		$ 3,923	$ 175
Ben Davis Conservancy District	$ 349,273	(2)		-
Total Overlapping Debt				$ 1,386,716
Total Direct and Overlapping Debt				$ 2,016,998

Source: City of Indianapolis, Office of Finance and Management

(1) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Building Authority's enabling legislation.
(2) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
(3) There is no statutory constitutional debt limitation to the Redevelopment Districts.
(4) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.
(5) Represents the March 1, 2016 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2017.
(6) Governmental activities debt of the overlapping governments is not readily available; only general obligation debt is reported in this column.

Note: Information regarding the percentage of overlap between the Corporation and the overlapping governments presented in the above table is not readily available.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Corporation. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Corporation. This process recognizes that, when considering the Corporation's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XII
Legal Debt Margin Calculation
December 31, 2017
(Dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year Ended December 31, 2017		
Net assessed value - 2017	$	37,570,129
Debt limit (.67% of assessed values)		251,720
Debt applicable to limit		
Bonded Debt		183,080
Notes payable from tax levy		-
Total net debt applicable to limit		183,080
Legal Debt Margin	$	68,640

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	$ 251,720	$ 246,152	$ 246,616	$ 227,610	$ 228,057	$ 227,279	$ 243,021	$ 239,977	$ 245,872	$ 292,821
Total net debt applicable to limit	183,080	187,930	192,525	197,590	208,865	220,355	231,385	233,840	40,795	42,635
Legal debt margin	$ 68,640	$ 58,222	$ 54,091	$ 30,020	$ 19,192	$ 6,924	$ 11,636	$ 6,137	$ 205,077	$ 250,186
Total net debt applicable to the limit as a percentage of debt limit	72.73%	76.35%	78.07%	86.81%	91.58%	96.95%	95.21%	97.44%	16.59%	14.56%

Source: Marion County Auditor's Office and Basic Financial Statements.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XIII

Demographic and Economic Statistics

December 31, 2017

(Dollars in thousands)

Year	(1) (2) Population	(2) Personal Income	(2) Per Capita Personal Income	Public School Enrollment	(3) Unemployment Rate
2017	941,229	$ -	$ 48	132,596	3.0%
2016	939,020	45,416,786	43	131,754	4.0%
2015	934,243	44,610,603	40	130,371	4.6%
2014	928,281	37,438,602	40	130,007	5.9%
2013	918,977	37,096,641	40	149,697	6.8%
2012	911,296	36,880,741	38	146,175	8.3%
2011	905,393	34,910,486	41	143,053	8.9%
2010	903,393	33,687,344	39	159,865	8.4%
2009	890,879	33,774,144	39	159,089	8.5%
2008	880,380	33,798,139	39	145,569	5.6%

(1) Source: Census Bureau-Population Estimates base reflects changes to the Census 2000 population.

(2) Source: U.S. Bureau of Economics Census Bureau mid-year population estimates. Estimates for 2007-2014 reflect county population estimates available as of March 2018. Per capita personal income was computed using Census Bureau mid-year population estimates. Estimates for 2008-2016 reflect county population estimates available as of March 2018. Data was not yet available for 2016 personal income.

(3) Source: Data provided by the U.S. Bureau of Labor Statistics.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XIV
Principal Employers
Current Year and Nine Years Ago (2)
December 31, 2017

	2017			2008		
Taxpayer	(1) Employees	(1) Rank	(1) Percentage of Total Metropolitan Statistical Area Employment	(2) Employees	(2) Rank	(2) Percentage of Total Metropolitan Statistical Area Employment
I.U. Health	23,187	1	2.46%			
St. Vincent Hospitals & Health Service	17,398	2	1.85%	10,640	3	1.21%
Eli Lilly and Company	11,334	3	1.20%	11,550	2	1.31%
Community Health Network	11,328	4	1.20%	5,341	6	0.61%
Wal-Mart	8,934	5	0.95%			
Kroger	8,146	6	0.87%			
IU School of Medicine	6,000	7	0.64%			
IUPUI	5,100	8	0.54%	7,066	4	0.80%
Federal Express Corp. (FedEx)	5,000	9	0.53%	6,311	5	0.72%
Meijer	4,825	10	0.51%			
Clarian Health Partners				12,763	1	1.45%
WellPoint Inc.				3,950	8	0.45%
Allison Transmission/Div of GMC				3,800	9	0.43%
Rolls Royce				4,300	7	0.49%
AT&T				3,000	10	0.34%

(1) Source: The Indianapolis Economic Development in conjunction with The Indy Partnership. Data was taken from the information warehouse containing a listing of the largest employers in the City of Indianapolis/Marion County located at www.indypartnership.com.

(2) Data from Health and Hospital Corporation's 2008 Comprehensive Annual Financial Report.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XV
Full-Time Equivalent City Government Employees by Function/Program
December 31, 2017

Function/Program	Full-Time Equivalent Employees at December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Primary Government Employees:										
Administration	143	135	128	131	139	136	132	127	117	118
Health improvement	373	366	354	349	351	340	327	337	343	313
Communicable disease prevention	129	127	125	123	128	133	125	125	120	122
Water quality and hazardous materials	27	27	28	26	26	25	26	27	25	27
Housing and neighborhood health	71	71	72	80	84	96	98	100	90	84
Consumer and employee risk reduction	27	27	27	26	26	28	27	27	28	25
Vector disease control	49	52	50	53	53	51	58	61	64	55
Business-type Employees:										
Eskenazi Health	4,310	4,177	3,853	3,828	3,726	3,667	3,820	3,622	3,724	3,764
Long-Term Care (1)	-	-	-	-	-	-	-	-	-	-
Total Employees	5,129	4,982	4,637	4,616	4,533	4,476	4,613	4,426	4,511	4,508

(1) The Long-Term Care personnel are not employees of the Corporation.

Source: SAP Payroll System and ADP Payroll System used by Health & Hospital Corporation.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XVI

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Health Improvement										
Community Based Clinics Services										
Vaccine doses administered	57,262	61,000	58,034	62,100	75,075	68,151	168,493	147,469	186,096	63,268
Vital Statistics - certified birth copies issued	47,074	46,392	48,552	47,062	47,162	60,011	49,029	59,067	59,258	62,008
Vital Statistics - certified death copies issued	50,922	48,226	51,621	54,205	51,768	58,210	53,335	57,763	56,434	99,185
WIC Services - vouchers per month	56,083	24,023	30,959	32,223	31,495	29,426	28,918	29,124	27,593	26,011
WIC Services - nutrition education	11,041	7,059	9,378	29,150	21,214	24,916	13,624	11,210	12,267	16,388
Dental Health/Education Services	62,220	35,765	45,847	50,625	72,533	55,524	70,120	68,370	54,011	72,119
Communicable Disease Prevention										
Chronic Disease										
Hepatitis A,B,C shots	1,382	1,383	1,216	1,114	1,055	1,182	1,090	1,068	1,121	1,098
AIDS cases	38	36	29	35	44	35	52	63	51	40
HIV infection - total cases	196	166	148	192	158	202	164	188	225	214
Tuberculosis cases reported	39	43	54	52	36	38	31	33	49	37
Sexually transmitted diseases total cases	15,213	14,228	12,272	12,952	13,406	13,317	9,856	6,959	11,086	11,923
Influenza-Like Illness	6,534	5,836	4,510	4,807	6,332	5,165	4,987	4,987	11,931	5,711
Water Quality and Hazardous Materials										
Water Quality										
Laboratory services performed	68,733	58,807	56,235	47,175	49,517	46,972	62,336	60,238	59,261	58,926
Swimming pool samples	5,155	4,055	4,250	4,360	4,438	2,598	2,151	2,483	2,744	2,483
Surface water samples taken	2,598	2,590	2,598	2,531	4,778	5,492	2,598	6,225	5,844	6,480
Hazardous Materials Management										
Responses to emergency situations	707	281	266	659	776	947	878	1,031	938	1,188
Drinking water wells surveyed for toxins	489	396	300	541	564	439	748	940	1,442	1,402
Septic systems permits	128	100	79	79	81	71	91	144	115	127
Well construction permits	97	105	87	97	114	112	88	70	102	78
Well pump permits	266	212	167	163	200	236	101	112	164	148
Housing and Neighborhood Health										
Initial housing orders	2,247	3,126	4,660	4,863	2,699	2,263	2,649	4,621	5,565	2,682
Housing compliances	5,571	4,783	4,613	4,977	4,577	4,553	5,252	4,190	4,948	4,201
Initial sanitation orders	13,513	14,934	15,429	13,571	11,147	12,354	14,265	20,801	21,463	15,422
Sanitation compliances	16,422	14,135	10,738	12,323	12,247	14,272	14,046	19,501	20,845	13,056
Court cases filed	3,379	3,906	3,921	3,841	3,540	3,546	2,826	2,333	2,925	2,873
Court cases resolved	3,545	2,566	2,004	2,500	1,565	1,671	1,504	957	1,573	1,269
Citations issued - illegal dumping	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unsafe buildings-structures demolished	**	**	**	223	4,934	578	589	537	658	836
Unsafe buildings-structures boarded	**	**	**	5,037	3,913	7,820	9,430	7,111	7,586	6,516
Unsafe buildings-structures repaired	**	**	**	777	1,156	1,090	789	672	844	672
Lead - children screened	11,499	9,618	4,721	7,779	13,038	12,354	14,265	5,346	4,648	3,786

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Table XVI - Continued
Operating Indicators by Function
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Consumer and Employee Risk Reduction										
Foodborne disease prevention										
Foodborne inspections	18,043	16,822	19,734	17,735	19,557	19,174	20,486	19,326	19,148	18,088
Foodborne investigations	196	207	207	241	166	199	144	156	199	206
Foodborne complaints	975	972	920	917	801	711	861	726	918	895
Foodborne licenses issued	7,147	7,090	6,981	6,635	6,501	6,424	5,138	5,885	5,604	5,265
Occupational health										
Occupational health consultations	n /a	n /a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asbestos investigations	*	*	*	*	*	*	301	360	114	173
Radon investigations	115	215	95	46	74	7	4	7	30	12
Related indoor air inspections	2,044	2,480	3,017	2,999	2,984	3,894	2,981	2,722	3,014	3,976
Vector Disease Control										
Environmental/Rodent Control										
Total premises baited for rodents	2,914	3,103	2,232	2,034	2,255	1,121	2,102	2,751	2,838	2,478
Abandoned property cleanups	2,490	3,944	2,911	4,021	3,693	3,149	2,897	3,541	3,557	2,975
Assisted cleanups of neighborhoods	4	9	7	10	8	13	15	10	4	-
Total weight (lbs.) of trash removed	11,210,480	14,798,225	14,272,760	15,263,180	15,991,960	16,418,780	19,568,321	17,382,448	21,941,740	16,587,585
Mosquito Control										
Inspections of mosquito breeding sites	17,429	17,987	18,744	21,716	20,672	11,744	19,439	18,430	20,400	18,000
Mosquito breeding sites treated	7,491	8,410	9,835	9,829	8,942	4,510	9,311	8,881	11,746	10,121
Adulticiding, lineal miles sprayed	4,512	4,775	4,514	3,673	3,043	2,563	3,999	5,164	5,169	6,576
Complaint services, adulticiding	9,230	8,521	5,374	4,123	4,271	3,750	5,545	5,584	5,566	5,454
Combination complaints	10,286	9,935	6,772	5,011	5,301	4,760	711	689	803	572
Long-Term Care										
Total Beds	9,524	9,524	9,524	7,944	7,969	8,062	7,176	5,857	5,457	4,053
Eskenazi Health										
Admissions (Acute, Behavioral, Lockefield)	15,896	15,492	14,977	14,788	15,090	14,112	18,568	18,525	18,585	19,624
Patient Days (Acute, Behavioral, Lockefield)	77,496	72,741	67,403	68,253	67,061	69,979	89,997	89,418	107,018	159,932
OP Encounters (net of ED)	815,999	804,189	747,007	736,130	876,161	841,180	885,045	1,077,726	1,120,658	1,126,196
ED Visits	91,675	94,733	87,624	95,258	101,240	109,412	105,120	105,854	110,451	113,680
Advantage Members	9,139	12,531	15,811	32,916	39,594	54,204	55,993	58,133	54,165	50,241
Uncompensated Care (000's Omitted)	293,617	410,579	535,005	381,110	410,383	237,639	344,552	305,243	267,058	254,836
Surgeries	8,967	8,400	7,715	7,242	7,406	7,447	8,069	8,092	8,162	7,816
Births	2,306	2,316	2,233	2,046	1,849	2,045	1,800	2,107	2,414	2,643

n/a = Not available.

* Starting in 2012, Asbestos investigations are now included with “Related indoor air inspections”.

Sources: Marion County Public Health Dept. “Report to the Community”, American Senior Communities Census Summary and Eskenazi Health Financial Statements.

Health and Hospital Corporation of Marion County, Indiana

(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XVII

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Health Improvement										
Dental chairs	25	25	25	25	25	25	25	25	25	25
Dental x-ray units	23	23	23	23	23	23	23	23	23	23
Fiberoptic Dentalite	10	10	10	10	10	10	10	10	10	7
Dental Portable Scaler	7	7	7	7	7	7	7	7	7	7
Kiosk Touchscreen system	5	5	5	5	5	5	5	5	4	4
Vital Statistics scanners/readers	1	1	1	1	1	1	1	1	1	1
Generators/power source	5	5	5	5	5	4	4	4	4	-
Planmeca digital panoramic machine	2	2	2	2	2	2	2	2	-	-
Community Health vehicles	2	-	-	-	-	-	-	-	-	-
Communicable Disease Prevention										
Water purification systems for lab	3	3	3	3	3	3	3	3	3	3
Refrigerators/freezer for lab	24	23	23	23	22	16	13	12	12	9
Incubator for lab	7	7	7	7	7	7	7	7	6	6
Trailer with hitch	11	11	8	8	8	8	8	8	-	-
Generator power-diesel	3	3	3	3	3	3	3	3	-	-
Storage area network w/cabinet	2	2	2	2	2	2	2	1	-	-
Kodak color scanners	6	6	6	6	5	5	5	5	-	-
Truck-Super 4X4	3	3	3	3	3	3	3	1	-	-
Water Quality and Hazardous Materials										
Water quality trucks for site cleanups	17	17	17	17	17	17	17	16	16	16
Analyzers for hazardous materials	5	5	5	5	5	5	5	5	5	5
Housing and Neighborhood Health										
Analyzers for lead testing	10	9	9	8	8	8	8	8	5	5
Vans/cars for housing visits	10	8	8	7	7	6	6	6	6	5
Vector Disease Control										
Environmental trucks/vans for cleanup	27	27	27	24	23	23	23	17	16	24
Dump Trucks	20	18	18	17	17	17	17	17	16	14
Tractors/Trailers	28	28	28	28	28	28	28	28	28	18
Rodent/Mosquito control trucks for spraying	69	65	64	64	62	57	57	57	57	72
Rodent/Mosquito control - sprayers	12	12	12	12	12	10	10	10	9	11
Rodent/Mosquito Control - generators	6	6	6	6	6	6	6	6	6	6
Long-Term Care										
# of buildings	78	78	78	61	59	59	52	42	38	27
Eskenazi Health										
# of beds	336	336	346	315	315	281	316	312	313	340

Sources: SAP system - Asset Management Listing, American Senior Communities Fixed Asset System and Eskenazi Health Financial Statements.