

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

**Good Samaritan Hospital**  
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**December 31, 2016 and 2015**

**Contents**

<b>Independent Auditor’s Report</b> .....	<b>1</b>
<b>Management’s Discussion and Analysis</b> .....	<b>3</b>
<b>Financial Statements</b>	
Balance Sheets .....	8
Statements of Revenues, Expenses and Changes in Net Position .....	9
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11

## Independent Auditor's Report

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

We have audited the accompanying financial statements of the Good Samaritan Hospital (Hospital), a component unit of Knox County, Indiana as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Hospital'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

***Opinion***

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audits 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.

*BKD, LLP*

Indianapolis, Indiana  
May 17, 2017

# **Good Samaritan Hospital**

## **A Component Unit of Knox County, Indiana**

### **Management's Discussion and Analysis**

#### **December 31, 2016 and 2015**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Good Samaritan Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the Hospital.

#### ***Financial Highlights***

- Total cash and investments increased in 2016 by \$31,543,207 (55%), as the Hospital issued a series of bonds in December 2016. In 2015, total cash and investments decreased by \$25,141,906 (31%), as the Hospital continued to spend proceeds on construction of new Hospital departments and implementation of integrated electronic health records system. Cash and investments decreased in 2014 by \$52,499,868 (39%) as the Hospital continued to spend on construction of new Hospital departments.
- The Hospital reported an operating income in 2016 of \$518,518 compared to operating loss in 2015 of \$(2,584,695). In 2016, while the Hospital net patient revenue increased by \$23,199,471, depreciation expense increased by \$2,545,023 or 14.5%. Additionally, the Hospital continued to increase expenses such as salaries, wages and contracted services proportionately to the expansion in net patient service revenue. In 2015, while the Hospital's net patient revenue increased by \$52,206,272, depreciation expense increased by \$5,220,108 or 42%. Additionally, as the Hospital continued to expand its ownership of long-term care facilities, expenses such as salaries, contracted services, and rent increased proportionately.
- Net nonoperating revenues increased by \$1,788,395 in 2016 compared to 2015, primarily attributable to increase market returns on investments and decreased interest expense. In 2015, nonoperating revenues decreased by \$4,561,670 compared to 2014 as a result of decreased market returns on investments and increased interest expense.

The total change in net position in 2016 is an increase of \$198,647 compared to a decrease of \$(4,692,691) in 2015.

#### ***Using This Annual Report***

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital, but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

### ***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

### ***The Hospital's Net Position***

The Hospital's net position is the difference between its assets and deferred outflows of resources and liabilities reported in the Balance Sheet. The Hospital's net position increased by \$198,467 in 2016 over 2015 and net position decreased by \$4,692,961 in 2015 over 2014, as shown in Table 1.

***Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position***

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Patient accounts receivable, net	\$ 46,017,437	\$ 34,225,736	\$ 34,784,233
Other current assets	104,070,814	67,814,069	95,242,761
Capital assets, net	211,154,622	201,387,401	176,145,355
Other noncurrent assets and deferred outflows of resources	1,257,809	1,603,307	2,037,849
Total assets and deferred outflows of resources	<u>\$ 362,500,682</u>	<u>\$ 305,030,513</u>	<u>\$ 308,210,198</u>
<b>Liabilities</b>			
Long-term debt	\$ 115,952,338	\$ 80,313,219	\$ 82,675,754
Other current and long-term liabilities	55,901,148	34,268,745	30,392,934
Total liabilities	<u>171,853,486</u>	<u>114,581,964</u>	<u>113,068,688</u>
<b>Net Position</b>			
Net investment in capital assets	91,295,233	119,115,021	92,382,635
Restricted expendable	18,570,364	5,453,581	6,882,314
Unrestricted	80,781,599	65,879,947	95,876,561
Total net position	<u>190,647,196</u>	<u>190,448,549</u>	<u>195,141,510</u>
Total liabilities and net assets	<u>\$ 362,500,682</u>	<u>\$ 305,030,513</u>	<u>\$ 308,210,198</u>

A significant change in the Hospital's net position in 2016 is an increase in cash and investments of \$31,543,207 (55%) as compared to a decrease in 2015 of \$25,141,065 (31%). This increase in cash and investments resulted primarily from issuance of bonds late in 2016. This increase was offset by an increase in net capital assets of \$9,767,221 and an increase in long-term debt of \$37,587,009 over December 31, 2015.

Net patient service revenues increased in 2016 by \$23,199,471 (8.3%) as compared to 2015, while net patient accounts receivable increased by \$11,791,701, for an increase of eleven days of revenue in accounts receivable at December 31, 2016 versus December 31, 2015.

In 2015, net patient service revenues increased by \$52,206,272 (23%) as compared to 2014, while net patient accounts receivable decreased by \$558,497. Much of this increase is the result of the Hospital's acquisition of several long-term care nursing facilities during 2015 and 2014.

### **Operating Results and Changes in the Hospital's Net Position**

In 2016, the Hospital's net position increased by \$198,647 (0.1%) compared to a decrease in net position during 2015 of \$4,692,961 (2.4%), as shown in Table 2.

**Table 2: Operating Results and Changes in Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenue</b>			
Net patient service revenue	\$ 303,993,497	\$ 280,794,026	\$ 228,587,754
Other operating revenue	11,594,297	12,653,444	9,547,785
Total operating revenue	<u>315,587,794</u>	<u>293,447,470</u>	<u>238,135,539</u>
<b>Operating Expenses</b>			
Salaries, wages, contract labor and employee benefits	176,535,522	162,866,135	132,178,462
Purchased services and professional fees	54,491,469	52,068,970	35,708,530
Depreciation and amortization	20,132,960	17,587,937	12,367,829
Other operating expenses	63,909,325	63,509,123	50,904,416
Total operating expenses	<u>315,069,276</u>	<u>296,032,165</u>	<u>231,159,237</u>
<b>Operating Income (Loss)</b>	<u>518,518</u>	<u>(2,584,695)</u>	<u>6,976,302</u>
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	1,021,826	257,528	3,001,370
Noncapital grants and contributions	890,690	962,077	1,427,892
Interest expense	(2,232,387)	(3,327,871)	(1,975,858)
Total nonoperating revenue (expense)	<u>(319,871)</u>	<u>(2,108,266)</u>	<u>2,453,404</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 198,647</u>	<u>\$ (4,692,961)</u>	<u>\$ 9,429,706</u>

### **Operating Income (Loss)**

The first component of the overall change in the Hospital's net position is its operating income (loss)—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2016, the Hospital reported operating income compared to an operating loss in 2015 and a positive operating margin in 2014. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Knox County and the surrounding area. The Hospital implements strong cost controls to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating margin for 2016 increased by \$3,103,213 (120%) as compared to 2015. Operating income for 2015 decreased by \$9,560,997 (197%) as compared to 2014. The primary components of the fluctuation in operating income are:

- An increase in salaries, wages, contract labor and benefits for the Hospital's employees of \$13,669,387 (8.4%) in 2016 compared to an increase in 2015 of \$30,687,673 (23%).
- An increase in purchased services and professional fees of \$2,422,499 (4.7%) in 2016 compared to an increase of \$4,551,339 (15%) in 2015.
- An increase depreciation and amortization expense of \$2,545,023 (14.5%) in 2016 compared to 2015.
- These increases in expenses were offset by an increase in net patient service revenue of \$23,199,471 (8.3%) for 2016 and \$52,206,272 (23%) for 2015.

Net patient service revenue increased because the Hospital expanded services by employing a large number of physicians beginning in 2010 and continuing throughout 2016.

Employee salaries, wages, contract labor and benefits increased in 2016 and 2015 in connection with the Hospital's retention and recruitment efforts. These efforts result primarily from the shortage of physicians, nurses and other health care professionals in the United States, along with acquisition of a long-term care nursing facility during 2016.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. Expenditures for medical supplies and prescription drugs are a major component of the Hospital's costs. In 2016, medical supplies and prescription drug costs totaled \$41,205,698 or 13% of total operating expenses. In 2015, they totaled \$40,778,560 or 15% of total operating expenses, an increase of \$427,138 (1.0%) over 2015.

### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of investment returns, contribution and grant income along with interest expense, all of which remained relatively constant in 2016 as compared to 2015 and 2014, except investment return. The Hospital recognized an increase in its investment return in 2016 compared to 2015, resulting primarily from overall return rates in the market. Total investment return for 2016 was a return of \$1,021,826 compared to a return in 2015 of \$257,528. Contribution and grant income in 2016 was \$890,690 compared to \$962,077 in 2015.

### ***The Hospital's Cash Flows***

Changes in the Hospital's cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2016 and 2015, discussed earlier.

### ***Capital Asset and Debt Administration***

#### ***Capital Assets***

At the end of 2016 and 2015, the Hospital had \$211,154,622 and \$201,387,401, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2016 and 2015, the Hospital purchased new capital assets costing \$30,406,104 and \$43,044,162, respectively. A significant portion of the 2016 and 2015 capital asset additions were for the master facility plan and the significant Hospital expansion in process at December 31, 2016.



## ***Debt***

At December 31, 2016 and 2015, the Hospital had \$127,686,724 and \$82,272,380, respectively, in revenue bonds, notes payable, line of credit outstanding and capital lease obligations. During 2016, the Hospital issued health facility revenue bonds (Series 2016 Bonds) in the amount of \$38,510,000. These bonds were used to provide operating capital as the Hospital implements EPIC. Additionally, the Hospital entered into an unsecured line of credit agreement during 2016 to provide borrowings of \$10,000,000. These borrowings were used to fund intergovernmental transactions on nursing facility operations. The Hospital did not partake in any significant borrowing activity in 2015. The Series 2016 Bonds were rated Baa3 by Moody's Investors Service, Inc. (Moody's). This is a decrease from the A3 rating accessed by Moody's for the Series 2012 Bonds. Detailed information regarding the Hospital's long-term debt can be found in Note 10 to the financial statements.

## ***Contacting the Hospital's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's CFO by telephoning (812) 885-3891.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**

**Balance Sheets**  
**December 31, 2016 and 2015**

**Assets and Deferred Outflows of Resources**

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 39,804,829	\$ 21,456,548
Short-term investments	30,155,173	30,077,030
Restricted cash - current	18,570,364	5,453,581
Patient accounts receivable, net of allowance; 2016 - \$15,682,052; 2015 - \$11,570,824	46,017,437	34,225,736
Other receivables	8,776,923	5,163,030
Supplies	2,257,673	2,010,642
Prepaid expenses and other	4,505,852	3,653,238
Total current assets	<u>150,088,251</u>	<u>102,039,805</u>
<b>Capital Assets, net</b>	211,154,622	201,387,401
<b>Other Assets</b>	<u>627,432</u>	<u>758,924</u>
Total assets	361,870,305	304,186,130
<b>Deferred Outflows of Resources - losses on debt refunding</b>	<u>630,377</u>	<u>844,383</u>
Total assets and deferred outflows of resources	<u>\$ 362,500,682</u>	<u>\$ 305,030,513</u>

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 3,907,051	\$ 1,959,161
Line of credit	7,500,000	-
Accounts payable	26,206,923	17,628,397
Accrued expenses	16,838,704	13,229,426
Accrued interest	1,050,817	1,004,459
Estimated amounts due to third-party payers	397,653	447,302
Total current liabilities	<u>55,901,148</u>	<u>34,268,745</u>
<b>Long-Term Debt</b>	<u>115,952,338</u>	<u>80,313,219</u>
Total liabilities	<u>171,853,486</u>	<u>114,581,964</u>
<b>Net Position</b>		
Net investment in capital assets	91,295,233	119,115,021
Restricted - debt service	18,570,364	5,453,581
Unrestricted	80,781,599	65,879,947
Total net position	<u>190,647,196</u>	<u>190,448,549</u>
Total liabilities and net position	<u>\$ 362,500,682</u>	<u>\$ 305,030,513</u>

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Revenue</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2016 - \$19,967,903; 2015 - \$21,766,056	\$ 303,993,497	\$ 280,794,026
Other	11,594,297	12,653,444
Total operating revenue	315,587,794	293,447,470
<b>Operating Expenses</b>		
Salaries, wages and contract labor	137,635,823	126,445,365
Employee benefits	38,899,699	36,420,770
Purchased services and professional fees	54,491,469	52,068,970
Supplies	41,205,698	40,778,560
Utilities	4,760,340	4,536,814
Other expenses	11,925,087	12,720,794
Depreciation and amortization	20,132,960	17,587,937
Provider hospital assessment fee	6,018,200	5,472,955
Total operating expenses	315,069,276	296,032,165
<b>Operating Income (Loss)</b>	518,518	(2,584,695)
<b>Nonoperating Revenue (Expense)</b>		
Investment return	1,021,826	257,528
Interest expense	(2,232,387)	(3,327,871)
Noncapital contribution and grant income	890,690	962,077
Total nonoperating expense	(319,871)	(2,108,266)
<b>Excess (Deficiency) of Revenues Over Expenses and Change in Net Position</b>	198,647	(4,692,961)
<b>Net Position, Beginning of Year</b>	190,448,549	195,141,510
<b>Net Position, End of Year</b>	\$ 190,647,196	\$ 190,448,549

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 288,637,552	\$ 280,736,947
Payments to suppliers and contractors	(102,560,513)	(103,752,015)
Payments to employees	(177,903,754)	(164,023,677)
Other receipts	11,594,297	12,653,444
Net cash provided by operating activities	19,767,582	25,614,699
<b>Noncapital Financing Activity - grants and gifts</b>	890,690	587,588
<b>Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term obligations	39,579,757	-
Borrowings on line of credit	17,500,000	-
Repayments on line of credit	(10,000,000)	-
Principal paid on long-term obligations	(1,892,601)	(2,082,165)
Interest paid on long-term obligations	(4,301,062)	(5,033,645)
Payment of debt issuance costs	(327,217)	-
Purchase of capital assets	(30,695,768)	(44,485,911)
Net cash provided by (used in) capital and related financing activities	9,863,109	(51,601,721)
<b>Investing Activities</b>		
Interest and dividends	863,020	1,150,414
Proceeds from disposition of investments	18,880,161	42,855,486
Purchase of investments	(18,799,498)	(18,282,469)
Net cash provided by investing activities	943,683	25,723,431
<b>Increase in Cash and Cash Equivalents</b>	31,465,064	323,997
<b>Cash and Cash Equivalents, Beginning of Year</b>	26,910,129	26,586,132
<b>Cash and Cash Equivalents, End of Year</b>	\$ 58,375,193	\$ 26,910,129
<b>Reconciliation of Cash and Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 39,804,829	\$ 21,456,548
Restricted cash	18,570,364	5,453,581
Total cash and cash equivalents	\$ 58,375,193	\$ 26,910,129
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 518,518	\$ (2,584,695)
Depreciation and amortization	20,132,960	17,587,937
Loss on disposal of capital assets	537,727	335,028
Provision for uncollectible accounts	19,967,903	21,766,056
Changes in operating assets and liabilities		
Patient and other accounts receivable	(35,373,497)	(22,197,624)
Supplies	(247,031)	178,100
Prepaid expenses and other assets	(639,067)	3,312,296
Estimated amounts due to third-party payers	(49,649)	374,489
Accounts payable and accrued expenses	14,919,718	6,843,112
Net cash provided by operating activities	\$ 19,767,582	\$ 25,614,699
<b>Supplemental Cash Flows Information</b>		
Capital lease obligations incurred for capital assets	\$ -	\$ 109,295
Capital asset acquisitions included in accounts payable	1,305,816	3,710,513

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

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

***Nature of Operations and Reporting Entity***

Good Samaritan Hospital (Hospital) is an acute care hospital located in Vincennes, Indiana. The Hospital is a component unit of Knox County, Indiana (County) and the Board of County Commissioners appoints members to the Board of Governors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Knox County area.

In accordance with GASB Statement No. 61, *The Financial Reporting Entity*, the financial statements include the financial statements of Good Samaritan Hospital Foundation and Good Samaritan Hospital Physician Services, Inc. based upon common control.

The Good Samaritan Hospital Foundation (Foundation) is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital. Separate audited financial statements are not issued for the Foundation.

Good Samaritan Hospital Physician Services, Inc. (Physician Services) is also a significant blended component unit of the Hospital. The primary government appoints a voting majority of Physician Service's board and a financial benefit/burden relationship exists between the Hospital and Physician Services. Although it is legally separate from the Hospital, Physician Services is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital. Separate audited financial statements are not issued for Physician Services.

***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions, principally federal and state grants, are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Use of Estimates***

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

***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers.

***Risk Management***

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Patient Accounts Receivable***

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

***Supplies***

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

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

	<b>Years</b>
Land improvements	5 - 25
Buildings and leasehold improvements	5 - 40
Equipment	5 - 20

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	<b>2016</b>	<b>2015</b>
Interest costs capitalized	\$ 2,115,033	\$ 1,695,199
Interest costs charged to expense	2,232,387	3,327,871
Total interest incurred	\$ 4,347,420	\$ 5,023,070

***Deferred Outflows of Resources***

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows of resources are reported in the balance sheets but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the Hospital consist of deferred losses on debt refundings (defeasance costs).

# **Good Samaritan Hospital**

## **A Component Unit of Knox County, Indiana**

### **Notes to Financial Statements** **December 31, 2016 and 2015**

#### ***Compensated Absences***

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

#### ***Net Position***

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

#### ***NPSR***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

#### ***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Foregone charges for charity care approximated \$10,180,000 for 2016 and \$11,240,000 for 2015. Estimated cost based on the Hospital's records was \$2,930,000 for 2016 and \$3,480,000 for 2015.



# **Good Samaritan Hospital**

## **A Component Unit of Knox County, Indiana**

### **Notes to Financial Statements** **December 31, 2016 and 2015**

#### ***Income Taxes***

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Physician Services is exempt from income taxes under Section 509(a)(3) of the Internal Revenue Code and a similar provision of state law. Physician Services is subject to federal income tax on any unrelated business taxable income.

#### ***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Hospital completed the first-year requirements under both the Medicare and Medicaid programs. During 2016 and 2015, the Hospital recorded revenue of approximately \$206,900 and \$987,500, respectively, for the Medicare and Medicaid incentive programs, which is included in other operating revenue in the statements of revenues, expenses and changes in net position.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Long-Term Nursing Facilities***

During the past several years, the Hospital has acquired thirteen nursing home operations through the execution of a licensing agreement, management agreement and lease agreement with third parties. These facilities provide inpatient and therapy services and support the Hospital's mission to provide quality care and services to the facility's residents. The nature of the agreements provide the Hospital the rights to all operating assets, government provider numbers and real estate. In connection with these agreements, the Hospital simultaneously entered into a management agreement with a third party to execute the operations of the nursing homes. The agreements have cancellation clauses, without cause, given appropriate notice. As the Hospital is a non-state government-owned hospital, it is entitled to certain special Medicaid payments, which are reflected in the balance sheets and statements of revenues, expenses and changes in net position. These special Medicaid payments recognized in net patient service revenue during 2016 and 2015 were approximately \$5.6 million, net of required intergovernmental payments.

**Reclassifications**

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. The reclassifications had no effect on the changes in financial position.

**Note 2: Net Patient Service Revenue**

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare:*

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

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis on each resident's health at admission. Medicare reimburses for up to 100 days of skilled nursing facility care subject to certain eligibility requirements.

*Medicaid:*

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. The payment methodologies are similar to those prescribed by the Medicare program more fully described above.

Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately \$3,000,000 of net patient service revenue related to this supplemental payment program for the year ended December 31, 2016 and approximately \$6,300,000 for the year ended December 31, 2015.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. This revenue is recorded within net patient service revenue in the statements of revenues, expenses and changes in net position. The Hospital paid approximately \$6.0 million and \$5.5 million for 2016 and 2015, respectively, into this Medicaid program, which is recorded as an operating expense in the statements of revenues, expenses and changes in net position. This program is scheduled to sunset on June 30, 2017, and there is no assurance this program will continue.

Approximately 42% and 44% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2016 and 2015, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 3: Deposits, Investments and Investment Income**

***Deposits***

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

Indiana state law requires the Hospital to deposit money with any financial institution designated by the state board of finance as depositories for state deposits. The Hospital's funds exceeding the FDIC insurance amount are covered by the Public Deposit Insurance Fund (PDIF). The PDIF insures those state and local public funds that are deposited in approved financial institutions in the event of financial institution failures.

***Investments***

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements.

At December 31, 2016 and 2015, the Hospital had the following investments and maturities:

Type	Total	<b>2016</b>	
		<b>Maturities in Years</b>	
		<b>Less Than 1</b>	<b>1-5</b>
Mutual funds	\$ 29,905,173	\$ 29,905,173	\$ -

  

Type	Total	<b>2015</b>	
		<b>Maturities in Years</b>	
		<b>Less Than 1</b>	<b>1-5</b>
Mutual funds	\$ 29,827,030	\$ 29,827,030	\$ -

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy provides guidance to invest approximately 65% of its investment portfolio in fixed income securities. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

# Good Samaritan Hospital

## A Component Unit of Knox County, Indiana

### Notes to Financial Statements December 31, 2016 and 2015

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital's policy provides guidance to invest in fixed income investments in U.S. Government bonds, bank certificates of deposits, and U.S. Treasury bonds among other government agencies. Such investments are to be insured by the U.S. Government or covered by applicable Federal and State Insurance programs.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy provides investments are to be maintained in insured deposits.

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer, however, the PDIF described above mitigates the concentration of credit risk.

#### **Summary of Carrying Values**

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

	<b>2016</b>	<b>2015</b>
Carrying value		
Deposits	\$ 58,625,193	\$ 27,160,129
Investments	29,905,173	29,827,030
	<b>\$ 88,530,366</b>	<b>\$ 56,987,159</b>
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 39,804,829	\$ 21,456,548
Short-term investments	30,155,173	30,077,030
Restricted cash - current	18,570,364	5,453,581
	<b>\$ 88,530,366</b>	<b>\$ 56,987,159</b>

Non-negotiable certificates of deposit totaling \$250,000 are included in deposit balances at December 31, 2016 and 2015.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Investment Return***

Investment return for the years ended December 31, 2016 and 2015 consisted of:

	<b>2016</b>	<b>2015</b>
Interest and dividend income	\$ 863,020	\$ 1,150,414
Realized gains from sales of investments	1,662,177	1,621,377
Net decrease in fair value of investments	(1,503,371)	(2,514,263)
	\$ 1,021,826	\$ 257,528

**Note 4: Disclosures About Fair Value of Assets and Liabilities**

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

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements 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, 2016 and 2015:

Unit of Account	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investment Measured at NAV <sup>(A)</sup>
<b>December 31, 2016</b>				
Investments subject to credit and interest rate risk:				
Equity mutual funds	Each share/ Unit Held	\$ 29,905,173	\$ 29,905,173	\$ -
		\$ -	\$ -	\$ -
<b>December 31, 2015</b>				
Investments subject to credit and interest rate risk:				
Equity mutual funds	Each share/ Unit Held	\$ 29,827,030	\$ 29,827,030	\$ -
		\$ -	\$ -	\$ -

**Note 5: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2016 and 2015 consisted of:

	<b>2016</b>	<b>2015</b>
Medicare	\$ 15,996,175	\$ 9,257,660
Medicaid	11,289,561	1,674,158
Other third-party payers	20,306,158	20,078,930
Patients	14,107,595	14,785,812
	<u>61,699,489</u>	<u>45,796,560</u>
Less allowance for uncollectible accounts	15,682,052	11,570,824
	<u>\$ 46,017,437</u>	<u>\$ 34,225,736</u>

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 6: Capital Assets**

Capital assets activity for the years ended December 31 was:

	<b>2016</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 7,202,985	\$ 100,000	\$ -	\$ (390,337)	\$ 6,912,648
Land improvements	9,191,361	-	-	84,389	9,275,750
Buildings and leasehold improvements	122,958,810	162,153	-	3,481,006	126,601,969
Equipment	203,683,078	1,064,979	(18,955,912)	15,887,305	201,679,450
Construction in progress	42,627,580	29,078,972	-	(19,062,363)	52,644,189
	<u>385,663,814</u>	<u>30,406,104</u>	<u>(18,955,912)</u>	<u>-</u>	<u>397,114,006</u>
Less accumulated depreciation					
Land improvements	4,784,197	586,826	-	-	5,371,023
Buildings and leasehold improvements	55,987,375	4,456,539	-	-	60,443,914
Equipment	123,504,841	15,057,791	(18,418,185)	-	120,144,447
	<u>184,276,413</u>	<u>20,101,156</u>	<u>(18,418,185)</u>	<u>-</u>	<u>185,959,384</u>
Capital assets, net	<u>\$ 201,387,401</u>	<u>\$ 10,304,948</u>	<u>\$ (537,727)</u>	<u>\$ -</u>	<u>\$ 211,154,622</u>

  

	<b>2015</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 8,487,647	\$ 290,338	\$ -	\$ (1,575,000)	\$ 7,202,985
Land improvements	6,102,833	1,550,685	(37,157)	1,575,000	9,191,361
Buildings and leasehold improvements	88,343,615	-	(61,624)	34,676,819	122,958,810
Equipment	150,954,732	1,533,401	(3,991,402)	55,186,347	203,683,078
Construction in progress	92,840,682	39,669,738	(19,674)	(89,863,166)	42,627,580
	<u>346,729,509</u>	<u>43,044,162</u>	<u>(4,109,857)</u>	<u>-</u>	<u>385,663,814</u>
Less accumulated depreciation					
Land improvements	4,354,395	447,699	(17,946)	49	4,784,197
Buildings and leasehold improvements	52,616,661	3,401,071	(30,308)	(49)	55,987,375
Equipment	113,613,098	13,618,318	(3,726,575)	-	123,504,841
	<u>170,584,154</u>	<u>17,467,088</u>	<u>(3,774,829)</u>	<u>-</u>	<u>184,276,413</u>
Capital assets, net	<u>\$ 176,145,355</u>	<u>\$ 25,577,074</u>	<u>\$ (335,028)</u>	<u>\$ -</u>	<u>\$ 201,387,401</u>

Construction in progress primarily includes architectural, planning costs and construction costs for the Hospital expansion, among other projects.



**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 7: Operating Leases**

The Hospital leases various facilities and equipment under operating leases expiring at various dates through 2021. Total rental expense in 2016 and 2015 for these operating leases was approximately \$12,226,000 and \$11,483,000, respectively.

Future minimum lease payments under operating leases as of December 31, 2016 were:

2017	\$ 10,168,539
2018	8,729,785
2019	1,358,476
2020	1,145,111
2021	<u>570,101</u>
	<u>\$ 21,972,012</u>

**Note 8: Medical Malpractice Claims**

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. In addition, the Hospital is a qualified health care provider under the Indiana Medical Malpractice Act and is fully insured under a claims-made policy on a fixed premium basis. The Indiana Medical Malpractice Act limits a qualified provider's liability for an occurrence to the amount of required insurance. The Indiana patient compensation fund is liable for the excess up to an overall damage cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 9: Employee Health Claims**

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$225,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.



**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

- (a) The economic development revenue and refunding bonds (Bonds) were issued in the original amount of \$83,395,000 dated April 2012, which bear interest at 2.5% to 5.9%. The Bonds are payable in semi-annual installments through 2042. The Hospital is required to make annual deposits to the debt service fund held by the trustee, which are included as restricted cash in the balance sheets. The Bonds are secured by the net revenues and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement. Under the master indenture, the Hospital is required to maintain a debt service coverage ratio of at least 1.25, measured annually and must have no less than 65 days of cash on hand measured semi-annually. Of the 2012 bonds issued, \$16,210,000 were issued as Qualified Energy Conservation Bonds (QECCB), which are eligible for interest subsidy payments from the United States Treasury. Subsidy payments (following 2014 sequestration, which lowered the subsidies by approximately 7.2%) to be received on these bonds are as follows:

Year Ending December 31,	Amount to be Received
2017	\$ 492,805
2018	492,805
2019	492,805
2020	492,805
2021	492,805
2022-2025	2,464,026
2026-2030	2,261,553
2031-2035	470,308
	\$ 7,659,912

Upon issuance and delivery of the Bonds, the Hospital defeased its outstanding 2002 bonds in the original principal amount of \$21,270,000, through a current refunding with the 2002 bonds called July 1, 2012. Additionally, the Hospital defeased its outstanding 2004 bonds in the original principal amount of \$17,210,000, through an advance refunding. Proceeds from the Bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the defeased 2004 bonds. This advance refunding transaction on the 2004 bonds resulted in an extinguishment of debt since the Hospital was legally released from its obligation on the 2004 bonds at the time of the defeasance. Accordingly, the 2004 bonds, aggregating \$10,665,000 at December 31, 2013, remained outstanding, but were excluded from the Hospital's balance sheet beginning in 2012. The 2004 bonds were fully called for redemption on February 1, 2014.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

The debt service requirements as of December 31, 2016, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2017	\$ 5,449,090	\$ 1,505,000	\$ 3,944,090
2018	5,447,690	1,565,000	3,882,690
2019	5,452,015	1,625,000	3,827,015
2020	5,450,390	1,690,000	3,760,390
2021	5,448,765	1,775,000	3,673,765
2022-2026	24,397,575	10,345,000	14,052,575
2027-2031	27,244,260	13,340,000	13,904,260
2032-2036	26,717,105	17,200,000	9,517,105
2037-2041	27,244,875	22,935,000	4,309,875
2042	5,447,875	5,315,000	132,875
	<u>\$ 138,299,640</u>	<u>\$ 77,295,000</u>	<u>\$ 61,004,640</u>

- (b) The health facilities revenue bonds (2016 series bonds) were issued in the original amount of \$38,510,000 dated December 2016, which bear interest at 4% to 5.5%. The 2016 series bonds are payable in semi-annual installments through 2046. The Hospital is required to make annual deposits to the debt service fund held by the trustee, which are included as restricted cash in the balance sheets. The Bonds are secured by the net revenues and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement. Under the master indenture, the Hospital is required to maintain a debt service coverage ratio of at least 1.25, measured annually and must have no less than 65 days of cash on hand measured semi-annually.

The debt service requirements as of December 31, 2016, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2017	\$ 2,526,289	\$ 2,005,000	\$ 521,289
2018	2,524,625	565,000	1,959,625
2019	2,527,025	590,000	1,937,025
2020	2,523,425	610,000	1,913,425
2021	2,527,925	645,000	1,882,925
2022-2026	12,630,275	3,755,000	8,875,275
2027-2031	12,672,375	4,960,000	7,712,375
2032-2036	12,574,275	6,355,000	6,219,275
2037-2041	12,606,450	8,240,000	4,366,450
2042-2046	12,627,225	10,785,000	1,842,225
	<u>\$ 75,739,889</u>	<u>\$ 38,510,000</u>	<u>\$ 37,229,889</u>

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**

**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Capital Lease Obligations**

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The net book value of assets under capital leases at December 31, 2016 totaled \$458,783, which is net of accumulated depreciation of \$1,000,322. The net book value of assets under capital leases at December 31, 2015 totaled \$719,682, which is net of accumulated depreciation of \$431,615. Interest rates range from 3.75% to 4.0% on these leases. Total future lease payments are:

**Year Ending December 31,**

2017		\$	405,475	
2018			41,899	
2019			4,400	
	Total minimum lease payments		451,774	
	Less amount representing interest		4,212	
	Present value of future minimum lease payments	\$	447,562	

**Line of Credit Agreement**

The Hospital entered into an unsecured line of credit agreement in June 2016 providing \$10,000,000 of borrowings. Variable interest is due monthly at 1.85% over the London Interbank Offered Rates, or 2.75% at December 31, 2016. Principal and any unpaid interest is due in full on July 1, 2017, which is the maturity of the line of credit. The Hospital had \$7,500,000 outstanding under the line of credit agreement at December 31, 2016.

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 11: Condensed Combining Financial Statement Information and Blended Component Units**

The financial statements include the blended component unit accounts of Physician Services and the Foundation as discussed in Note 1. The following tables include condensed combining financial statement information for the Hospital and its blended component units as of and for the years ended December 31, 2016 and 2015.

	2016			Total
	Hospital	Physician Services	Foundation	
Total current assets - receivables	\$ 142,232,078	\$ 3,611,392	\$ 4,244,781	\$ 150,088,251
Total noncurrent assets and deferred outflow of resources	212,137,986	-	274,445	212,412,431
<b>Total assets</b>	<b>\$ 354,370,064</b>	<b>\$ 3,611,392</b>	<b>\$ 4,519,226</b>	<b>\$ 362,500,682</b>
Total liabilities	\$ 170,978,719	\$ 873,375	\$ 1,392	\$ 171,853,486
Net position	183,391,345	2,738,017	4,517,834	190,647,196
<b>Total liabilities and net position</b>	<b>\$ 354,370,064</b>	<b>\$ 3,611,392</b>	<b>\$ 4,519,226</b>	<b>\$ 362,500,682</b>
Revenue	\$ 283,358,552	\$ 33,656,101	\$ 485,657	\$ 317,500,310
Expenses	(265,069,046)	(51,777,331)	(455,286)	(317,301,663)
Transfer from Hospital	(18,111,032)	17,959,589	151,443	-
Change in net position	178,474	(161,641)	181,814	198,647
Net position, beginning of year	183,212,871	2,899,658	4,336,020	190,448,549
Net position, end of year	<b>\$ 183,391,345</b>	<b>\$ 2,738,017</b>	<b>\$ 4,517,834</b>	<b>\$ 190,647,196</b>
Total operating activities	\$ 19,549,453	\$ -	\$ 218,129	\$ 19,767,582
Total noncapital financing activities	890,690	-	-	890,690
Total capital and related financing activities	9,863,109	-	-	9,863,109
Total investing activities	943,683	-	-	943,683
Net increase in cash and cash equivalents	31,246,935	-	218,129	31,465,064
Cash and cash equivalents at beginning of year	26,898,988	-	11,141	26,910,129
Cash and cash equivalents at end of year	<b>\$ 58,145,923</b>	<b>\$ -</b>	<b>\$ 229,270</b>	<b>\$ 58,375,193</b>

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	2015			
	Hospital	Physician Services	Foundation	Total
Total current assets - receivables	\$ 95,051,558	\$ 2,926,222	\$ 4,062,025	\$ 102,039,805
Total noncurrent assets and deferred outflow of resources	202,541,651	173,961	275,096	202,990,708
<b>Total assets</b>	<b>\$ 297,593,209</b>	<b>\$ 3,100,183</b>	<b>\$ 4,337,121</b>	<b>\$ 305,030,513</b>
Total liabilities	\$ 114,380,338	\$ 200,525	\$ 1,101	\$ 114,581,964
Net position	183,212,871	2,899,658	4,336,020	190,448,549
<b>Total liabilities and net position</b>	<b>\$ 297,593,209</b>	<b>\$ 3,100,183</b>	<b>\$ 4,337,121</b>	<b>\$ 305,030,513</b>
Revenue	\$ 261,996,076	\$ 32,183,317	\$ 487,682	\$ 294,667,075
Expenses	(250,567,124)	(47,515,091)	(1,277,821)	(299,360,036)
Transfer from Hospital	(16,150,069)	15,738,315	411,754	-
Change in net position	(4,721,117)	406,541	(378,385)	(4,692,961)
Net position, beginning of year	187,933,988	2,493,117	4,714,405	195,141,510
Net position, end of year	\$ 183,212,871	\$ 2,899,658	\$ 4,336,020	\$ 190,448,549
Total operating activities	\$ 25,947,147	\$ -	\$ (332,448)	\$ 25,614,699
Total noncapital financing activities	587,588	-	-	587,588
Total capital and related financing activities	(51,600,629)	-	(1,092)	(51,601,721)
Total investing activities	25,723,431	-	-	25,723,431
Net increase in cash and cash equivalents	657,537	-	(333,540)	323,997
Cash and cash equivalents at beginning of year	26,241,451	-	344,681	26,586,132
Cash and cash equivalents at end of year	\$ 26,898,988	\$ -	\$ 11,141	\$ 26,910,129

**Good Samaritan Hospital**  
**A Component Unit of Knox County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 12: Pension Plan**

The Hospital contributes to a defined-contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Hospital. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's Board of Governors. The current contributions rate is 7% of the first \$9,999 and 10% thereafter of annual covered payroll for employees hired prior to January 1, 2002. Employees hired January 1, 2002 or later will receive 7% of annual earnings (annual earnings exclude overtime and bonus payments). Employer contributions to the plan in 2016 and 2015 was \$6,332,193 and \$6,593,618, respectively.

**Note 13: Contingencies and Commitments**

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. The Hospital currently has certain cases outstanding and management believes that the financial statements will not be materially affected, in the event of an adverse outcome. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Commitments***

During 2012, the Hospital commenced implementation of a revised master facility plan that includes construction and equipping of certain Hospital facilities including a new tower to include numerous departments. The master facility plan also includes significant renovations to certain existing facilities within the Hospital, and construction of a new central plant as well as various energy efficiency improvements.

As part of these significant renovations, improvements and additions, the Hospital has entered into various contracts as of year-end for the necessary work to be performed. The total cost of the project is expected to be approximately \$115 million, with approximately \$111 million incurred through December 31, 2016.

In March 2015, the Hospital entered into an agreement with Deaconess Hospital, Inc. to implement a new Hospital-wide information system. Terms of the agreement provide for annual maintenance costs to approximate \$1,461,000 to \$1,693,000 annually for the seven-year term.