

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

DEARBORN COUNTY HOSPITAL
A COMPONENT UNIT OF
DEARBORN COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
05/04/2011

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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Peter V. Resnick	04-01-09 to 03-31-12
Treasurer	Peter V. Resnick	04-01-09 to 03-31-12
Chairman of the Hospital Board	William F. Ritzmann	04-01-09 to 03-31-12
President of the Board of County Commissioners	Ralph Thompson Jeffery Hughes	01-01-10 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DEARBORN COUNTY HOSPITAL, DEARBORN COUNTY, INDIANA

We have audited the accompanying basic financial statements of the Dearborn County Hospital (Hospital) as of and for the year ended December 31, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2010, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining statements, listed in the Table of Contents, are presented for purposes of additional analysis and are not required parts of the financial statements of the Hospital. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

April 19, 2011

Dearborn County Hospital
A Component Unit of Dearborn County, Indiana
Management's Discussion and Analysis

Our discussion and analysis of Dearborn County Hospital's (DCH) financial performance provides an overview of DCH's financial activities for the fiscal years ended December 31, 2010 and 2009. Please read it in conjunction with the Hospital's financial statements.

Financial Highlights

Dearborn County Hospital's net assets increased \$1,721,465, up 2.0% during 2010.

The Hospital reported an operating loss of <\$1,460,266> in 2010, a 15.0% improvement from a loss of <\$1,717,173> in 2009.

DCH's nonoperating revenue decreased to a gain of \$1,474,251 in 2010, down from a gain of \$3,272,320 in 2009.

Capital grants and contributions increased to \$1,707,480, up 36.6% from \$1,250,000 in 2009.

Using This Annual Report

Dearborn County Hospital's financial statements consists of three statements – a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets include all assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Hospital's net assets – the difference between assets and liabilities – provides one measure of DCH's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors, such as changes in the Hospital's patient utilization, the quality of service it provides to the community, as well as local economic factors, to assess the overall health of DCH.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The Hospital's true financial condition is more closely related to the cash flows it generates than to its reported income. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financial activities. It provides answers to such questions as "Where did cash come from?" "What was the cash used for?" and "What was the change in cash balance during the reporting period?"

Net Assets

The Hospital's net assets are the differences between its assets and liabilities reported on the Statement of Net Assets. As presented on Table 1, DCH's net assets increased \$1,721,465 during 2010, down <38.6%> versus the prior year increase in net assets.

Table 1: Assets, Liabilities, and Net Assets

Assets:	<u>2010</u>	<u>2009</u>
Current assets	\$ 28,581,762	\$ 28,512,521
Capital assets, net	53,336,081	56,581,664
Other noncurrent assets	<u>41,370,954</u>	<u>38,222,619</u>
Total Assets	<u>\$123,288,797</u>	<u>\$123,316,804</u>
Liabilities:		
Long-term debt outstanding	\$ 28,931,711	\$ 29,336,492
Other current and noncurrent liabilities	<u>7,033,408</u>	<u>8,378,099</u>
Total liabilities	<u>\$ 35,965,119</u>	<u>\$ 37,714,591</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 29,922,709	\$ 26,999,572
Restricted:		
Expendable for capital acquisitions, net of related debt	-	-
Unrestricted	<u>57,400,969</u>	<u>58,602,641</u>
	<u>\$ 87,323,678</u>	<u>\$ 85,602,213</u>

Capital assets, net decreased <\$3,245,583> during 2010 as HSC sold land for the senior care development currently under construction across the road from the Hospital and depreciation expense exceeded the acquisition cost of capital assets.

The Hospital ended 2010 with long-term debt outstanding in the amount of \$28,931,711.

Operating Results and Changes in Net Assets

In 2010, Dearborn County Hospital's net assets increased by \$1,721,465 up 2.0% from the prior year, as shown on Table 2. That increase is down <38.6%> compared with the \$2,805,147 increase in net assets during 2009.

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Table 2: Operating Results and Change in Net Assets, follows

Table 2: Operating Results and Changes in Net Assets

Operating Revenues:	<u>2010</u>	<u>2009</u>
Net patient service revenues	\$ 79,754,577	\$ 80,251,843
Other operating revenues	<u>2,260,165</u>	<u>2,347,024</u>
Total operating revenues	<u>\$ 82,014,742</u>	<u>\$ 82,598,867</u>
Operating Expenses:		
Wages and benefits	\$ 49,829,943	\$ 51,637,195
Medical supplies and drugs	13,548,370	12,476,713
Depreciation and Rentals	7,189,338	7,104,895
Other operating expenses	<u>12,907,357</u>	<u>13,097,237</u>
Total operating expenses	<u>\$ 83,475,008</u>	<u>\$ 84,316,040</u>
	Operating gain <loss>	<\$ 1,717,173>
	<\$ 1,460,266>	
Nonoperating revenue <expenses>:		
Investment income	\$ 2,272,844	\$ 3,445,544
Interest expense	<236,924>	<357,460>
Other	<u><561,669></u>	<u>184,236</u>
Total nonoperating revenues <expenses>	<u>\$ 1,474,251</u>	<u>\$ 3,272,320</u>
Capital grants and contributions	<u>\$ 1,707,480</u>	<u>\$ 1,250,000</u>
	Increase in net assets	<u>\$ 2,805,147</u>
	<u>\$ 1,721,465</u>	
Net assets end of year:	<u>\$ 87,323,678</u>	<u>\$ 85,602,213</u>

Operating Gains

The first component of the overall change in Dearborn County Hospital's net assets is its operating gain <loss> - generally, the difference between net patient service revenue and the expenses incurred to perform those services.

Operating revenues totaled \$82,014,742 in 2010, down <0.7%> from 2009. During 2010, the Hospital's supplemental revenue, a component of operating revenues, was \$2,536,036, up 5.8% from the prior year, as shown on Table 3.

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Table 3: Supplemental Revenue, follows

Table 3: Supplemental Revenue

	<u>2010</u>	<u>2009</u>	<u>Aggregate Posted To Date</u>
Indiana Medicaid Upper Payment Limit:			
State FY 2009		\$ 2,095,677	2,095,677
State FY 2010	<u>\$ 2,033,735</u>		2,033,735
Total	<u>\$ 2,033,735</u>	<u>\$ 2,095,677</u>	
Medicaid Disproportionate Share Hospital:			
Total	<u>\$ -</u>	<u>\$ -</u>	
Medicare Disproportionate Share Hospital:			
DCH FY 2004		\$ 432	\$ 458,315
DCH FY 2005	\$ 273	153	567,343
DCH FY 2006	2,028	1,535	599,172
DCH FY 2007	<50,000>	<25,000>	425,000
DCH FY 2008		325,000	325,000
DCH FY 2009	<u>550,000</u>		550,000
Total	<u>\$ 502,301</u>	<u>\$ 302,120</u>	
Grand Total	<u>\$ 2,536,036</u>	<u>\$ 2,397,797</u>	

Meanwhile, 2010 operating expenses decreased <1.0%>. Salaries and benefits, which generated 59.7% of total operating expenses during 2010, finished the year down <3.5%> over 2009 while non-labor expenses were up 2.9%.

As a result, DCH's 2010 operating loss decreased <\$256,907> from 2009.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest revenue and investment earnings. For 2010, investment income includes \$731,801 pertaining to an unrealized gain in the market value of DCH's investments, down from an unrealized gain of \$1,831,579 in 2009. Meanwhile, 2010 nonoperating expense includes a <\$631,674> loss on the sale of land, which was improved via a capital grant for the development of a senior living health campus across the road from the Hospital.

Capital grants and contributions for 2010 totaled \$1,707,480, up from \$1,250,000 in 2009. That increase is due to a \$1,207,480 grant from the City of Lawrenceburg for land improvements pertaining to the aforementioned senior living health campus. In comparison, during the previous year, the City of Lawrenceburg made a \$750,000 capital grant for DCH's MRI Breast Screening research project. Both years include a \$500,000 building project donation from the City of Lawrenceburg.

Cash Flows

After paying its employees, suppliers and contractors during 2010, the Dearborn County Hospital's operating activities generated positive cash flow in the amount of \$2,537,622. Meanwhile, the Hospital's capital and related financing activities used net cash in the amount of \$(3,089,712) comprised of capital asset purchases and sales totaling \$4,141,343 and principal and interest on long-term debt totaling \$655,849. The Hospital's investing activities provided net cash in the amount of \$8,158,382, of which \$5,938,524 pertains to the sale of investments as the Hospital moved funds from equities and certificates of deposit into money market accounts due to the interest rate environment and the potential use of those funds in early 2011. Therefore, during 2010 the Hospital realized a net increase in cash and cash equivalents in the amount of \$7,606,292.

Capital Asset and Debt Administration

At the end of 2010, Dearborn County Hospital had \$53,336,081 invested in capital assets, net of accumulated depreciation, as detailed in Note II.C. to the financial statements. In 2010, the Hospital purchased and sold capital assets at a cost of \$4,141,343, down <28.6%> from the amount spent for capital assets in the prior year.

Debt

The Hospital ended 2010 with long-term debt outstanding, net of current maturities, in the amount of \$28,931,711. Of that long-term debt, \$28,900,000 pertains to its 2006 Bond Issue and \$31,711 for two capitalized lease obligations. In addition, the current portion (i.e., due within one year) of long-term debt is \$420,154 representing \$400,000 due on the Bond Issue and \$20,154 due on the capitalized leases.

Contacting Dearborn County Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of Dearborn County Hospital's finances. If you have any questions about this report or need additional information, contact the Hospital Treasurer's office at Dearborn County Hospital, 600 Wilson Creek Road, Lawrenceburg, Indiana 47025.

DEARBORN COUNTY HOSPITAL
STATEMENT OF NET ASSETS
December 31, 2010

Assets

Current assets:	
Cash and cash equivalents	\$ 12,702,684
Patient accounts receivable, net of estimated uncollectibles of \$20,586,433	13,942,904
Inventories	1,193,359
Prepaid expenses	716,352
Short-term loans receivable	8,571
Other current assets	17,892
Noncurrent cash and investments:	
Internally designated	40,499,225
Capital assets:	
Capital assets not being depreciated	1,256,058
Depreciable capital assets, net of accumulated depreciation	52,080,023
Long-term loans receivable	708,475
Other assets	<u>163,254</u>
 Total assets	 <u>\$ 123,288,797</u>

Liabilities and Net Assets

Current liabilities:	
Current maturities of long-term debt	\$ 420,154
Accounts payable	1,114,578
Accrued salaries and wages	894,256
Accrued taxes and other withholdings	366,493
Accrued employee benefits	2,162,689
Other current liabilities	2,075,238
Long-term debt, net of current maturities	<u>28,931,711</u>
 Total liabilities	 <u>35,965,119</u>
Net assets:	
Invested in capital assets, net of related debt	29,922,709
Unrestricted	<u>57,400,969</u>
 Total net assets	 <u>87,323,678</u>
 Total liabilities and net assets	 <u>\$ 123,288,797</u>

The accompanying notes are an integral part of the financial statements.

DEARBORN COUNTY HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2010

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	\$ 79,754,577
Other	<u>2,260,165</u>
Total operating revenues	<u>82,014,742</u>
Operating expenses:	
Salaries and wages	37,812,579
Employee benefits	12,017,364
Physician fees	3,148,772
Supplies	13,548,370
Insurance	614,542
Depreciation and rentals	7,189,338
Other expenses	<u>9,144,043</u>
Total operating expenses	<u>83,475,008</u>
Operating loss	<u>(1,460,266)</u>
Nonoperating revenues (expenses):	
Investment income	2,272,844
Investment expense	(236,924)
Other	<u>(561,669)</u>
Total nonoperating revenues (expenses)	<u>1,474,251</u>
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions	13,985
Capital grants and contributions	<u>1,707,480</u>
Increase in net assets	1,721,465
Net assets beginning of the year	<u>85,602,213</u>
Net assets end of the year	<u>\$ 87,323,678</u>

The accompanying notes are an integral part of the financial statements.

DEARBORN COUNTY HOSPITAL
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2010

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 78,420,281
Payments to suppliers and contractors	(29,525,810)
Payments to employees	(50,216,765)
Other receipts and payments, net	<u>3,859,916</u>
Net cash provided by operating activities	<u>2,537,622</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,232,200)
Proceeds from sale of capital assets	90,857
Capital grants and contributions	1,707,480
Principal paid on long-term debt	(418,925)
Interest paid on long-term debt	<u>(236,924)</u>
Net cash used by capital and related financing activities	<u>(3,089,712)</u>
Cash flows from investing activities:	
Interest and dividends on investments	2,219,858
Proceeds from sale of investments	<u>5,938,524</u>
Net cash provided by investing activities	<u>8,158,382</u>
Net increase in cash and cash equivalents	7,606,292
Cash and cash equivalents at beginning of year	<u>9,892,056</u>
Cash and cash equivalents at end of year	<u>\$ 17,498,348</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 12,702,684
Restricted cash and cash equivalents	<u>4,795,664</u>
Total cash and cash equivalents	<u>\$ 17,498,348</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,460,266)
Adjustments to reconcile operating loss to net cash flows provided in operating activities:	
Depreciation	6,226,269
Provision for bad debts	10,920,029
Other nonoperating income	(364,843)
(Increase) decrease in current assets:	
Patient accounts receivable	(12,254,325)
Supplies and other current assets	221,537
Long-term loans receivable	(33,015)
Increase (decrease) in current liabilities:	
Accounts payable	102,950
Accrued wages and benefits	(386,821)
Other current liabilities	<u>(433,893)</u>
Net cash provided in operating activities	<u>\$ 2,537,622</u>

The Hospital held investments at December 31, 2010, with a fair value of \$20,908,569. During 2010, the net increase in the fair value of these investments was \$965,156.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Dearborn County Hospital (Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient and out-patient health care.

The Board of County Commissioners of Dearborn County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between the County and the Hospital. For these reasons, the Hospital is considered a component unit of Dearborn County.

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government.

Blended Component Units

Health Services Corporation of Southeastern Indiana (Corporation) is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the Corporation's board and a financial benefit/burden relationship exists between the Hospital and the Corporation. Although it is legally separate from the Hospital, the Corporation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital.

B. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less.

Short-term investments are investments with remaining maturities of up to 90 days.

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

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

2. Use of Estimates

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

3. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$2,500 per item, or a group of items with an aggregate cost of at least \$5,000. Depreciation is calculated based on the straight-line method. Estimated useful lives of capital assets are based on estimated life in years as suggested in the American Hospital Association publication "Estimated Useful Lives of Depreciable Hospital Assets."

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

4. Net Assets

Net assets of the Hospital are classified in two components.

Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Contributions

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

E. Operating Revenues and Expenses

The Hospital's Statement of Revenues, Expenses, and Changes in Net Assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

F. Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Patient service revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

G. Premium Revenue

The Hospital had agreements with various health management organizations (HMO's) to provide medical services to subscribing participants. Under these agreements, the HMO's make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

H. Charity Care

The Hospital has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Because the Hospital does not expect payment, estimated charges for charity are not included in revenue.

I. Supplies

Inventories of drugs and other supplies are stated at average cost.

J. Compensated Absences

1. Sick Leave

Hospital employees earn sick leave at the rate of 96 hours per year. Unused sick leave may be accumulated to a maximum of 960 hours. A portion of accumulated sick leave is paid to eligible employees with more than 500 accumulated hours upon retirement.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Vacation Leave

Hospital employees earn vacation leave at rates from 15 days to 25 days per year based upon the number of years of service. Vacation leave may be accrued to a maximum of 60 days to 100 days depending on years of service. Accumulated vacation leave is paid to employees through cash payments upon retirement or other separation from service.

3. Personal Leave

Hospital employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

Vacation and personal leave is accrued when incurred and reported as a liability.

II. Detailed Notes

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 16-22-3-16 requires only that money in the Hospital funds be deposited in the manner determined by the governing board. The Hospital's policy for deposits provides for all deposit accounts to be insured by the Federal Deposit Insurance Corporation or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. At December 31, 2010, the Hospital had deposit balances in the amount of \$32,895,948. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 16-22-3-20. As of December 31, 2010, the Hospital had the following investments:

<u>Investment Type</u>	<u>Hospital Market Value</u>
Mutual funds	<u>\$ 20,908,569</u>

Investment Policies

Indiana Code 16-22-3-20 authorizes the Hospital to invest in: 1) any interest bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 2) repurchase or resale agreements involving the purchase and guaranteed resale of any interest bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

which type of agreement the amount of money must be fully collateralized by interest bearing obligations as determined by the current market value computed on the day the agreement is effective; 3) mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 4) securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency; or 5) pooled fund investments for participating hospitals offered, managed, and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

B. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year end consisted of these amounts:

Patient Accounts Receivable

Receivable from patients and their insurance carriers	\$ 16,172,184
Receivable from Medicare	13,695,669
Receivable from Medicaid	<u>4,661,484</u>

Total patient accounts receivable	34,529,337
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Less allowance for uncollectible amounts	<u>20,586,433</u>
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Patient accounts receivable, net	<u><u>\$ 13,942,904</u></u>
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Accounts Payable and Accrued Expenses

Payable to suppliers	<u><u>\$ 1,374,735</u></u>
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C. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 992,692	\$ 245,385	\$ 466,195	\$ 771,882
Construction in progress	<u>1,645,124</u>	<u>4,857,572</u>	<u>6,018,520</u>	<u>484,176</u>
 Total capital assets, not being depreciated	 <u>2,637,816</u>	 <u>5,102,957</u>	 <u>6,484,715</u>	 <u>1,256,058</u>

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	1,481,309	3,962	-	1,485,271
Buildings and improvements	62,832,842	4,676,633	1,086,881	66,422,594
Equipment	44,347,124	733,079	965,143	44,115,060
 Totals	 <u>108,661,275</u>	 <u>5,413,674</u>	 <u>2,052,024</u>	 <u>112,022,925</u>
Less accumulated depreciation for:				
Land improvements	713,620	79,270	-	792,890
Buildings and improvements	24,000,642	2,939,007	115,050	26,824,599
Equipment	30,003,165	3,201,235	878,987	32,325,413
 Totals	 <u>54,717,427</u>	 <u>6,219,512</u>	 <u>994,037</u>	 <u>59,942,902</u>
 Total capital assets, being depreciated, net	 <u>53,943,848</u>	 <u>(805,838)</u>	 <u>1,057,987</u>	 <u>52,080,023</u>
 Total primary government capital assets, net	 <u>\$ 56,581,664</u>	 <u>\$ 4,297,119</u>	 <u>\$ 7,542,702</u>	 <u>\$ 53,336,081</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2010</u>	<u>Committed</u>
Operating room	\$ 1,100,000	\$ 22,500	\$ 1,077,500
Lab renovation	<u>757,753</u>	<u>461,676</u>	<u>296,077</u>
 Totals	 <u>\$ 1,857,753</u>	 <u>\$ 484,176</u>	 <u>\$ 1,373,577</u>

E. Leases

1. Operating Leases

The Hospital has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for rental of office space. Rental expenditures for these leases were \$363,603. The following is a schedule by years of future minimum rental payments as of year end:

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2011	\$	304,443
2012		193,065
2013		64,459
2014		<u>15,452</u>
 Total	 \$	 <u>577,419</u>

2. Capital Leases

The Hospital has entered into two capital leases, one for a chemistry system and the one for a biopsy and excision system. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of year end, are as follows:

2011		\$ 24,068
2012		24,068
2013		6,446
2014		<u>4,037</u>
 Total minimum lease payments		 58,619
 Less amount representing interest		 <u>6,755</u>
 Present value of net minimum lease payments	 \$	 <u>51,864</u>

Assets acquired through capital leases still in effect are as follows:

Equipment	\$	97,200
Accumulated depreciation		<u>48,113</u>
 Total	 \$	 <u>49,087</u>

F. Long-Term Liabilities

1. Revenue Bonds

The Hospital issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Patient tower, parking garage, and facility improvements	variable**	<u>\$ 29,300,000</u>

**The interest rate is variable, based on the judgment of the Remarketing Agent (taking into consideration current transaction and comparable securities with which the Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) to produce as nearly as practical a par bid. The maximum interest rate is 10% per annum.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2011	\$ 400,000	\$ 96,690
2012	400,000	95,370
2013	500,000	94,050
2014	500,000	92,400
2015	500,000	90,750
2016-2020	3,400,000	424,710
2021-2025	4,800,000	360,030
2026-2030	6,800,000	268,290
2031-2035	9,600,000	138,600
2036	2,400,000	7,920
Totals	\$ 29,300,000	\$ 1,668,810

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:	\$ 29,700,000	\$ -	\$ 400,000	\$ 29,300,000	\$ 400,000
Capital leases	51,790	19,000	18,926	51,864	20,153
Total long-term liabilities	\$ 29,751,790	\$ 19,000	\$ 418,926	\$ 29,351,864	\$ 420,153

G. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$2,231,408 for 2010.

H. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

Funded Depreciation – Amounts transferred from the Operating Fund by the Hospital Board of Trustees through funding depreciation expense. Such amounts are to be used for equipment and building, remodeling, repairing, replacing, or making additions to the Hospital buildings as authorized by IC 16-22-3-13.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internally designated:

Funded depreciation:

Cash and cash equivalents	\$ 4,795,664
Investments	35,667,501
Accrued interest receivable	<u>36,060</u>
Total funded depreciation	<u>\$ 40,499,225</u>

III. Other Information

A. Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical and dental benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions and job related illnesses or injuries to employees are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical and Dental Benefits to Employees, Retirees and Dependents

The Hospital has chosen to establish a risk financing fund for risks associated with medical and dental benefits to employees. The risk financing fund is accounted for in the Operating Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$200,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs).

Changes in the balance of claim liabilities during the past two years are as follows:

	2010	2009
Unpaid claims, beginning of fiscal year	\$ 1,020,000	\$ 970,000
Incurred claims and changes in estimates	6,424,392	6,419,534
Claim payments	<u>(6,394,392)</u>	<u>(6,369,534)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,050,000</u>	<u>\$ 1,020,000</u>

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Natural Disasters

Risk financing is not utilized for natural disasters.

B. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

The carrying amount reported in the Statement of Net Assets for cash and cash equivalents approximates its fair value.

Short-Term Investments

The carrying amount reported in the Statement of Net Assets is the investment's fair value on the day it becomes a short-term investment.

Investments

Fair values, which are the amounts reported in the Statement of Net Assets, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities.

Accounts Payable and Accrued Expenses

The carrying amount reported in the Statement of Net Assets for accounts payable and accrued expenses approximates its fair value.

Estimated Third-Party Payor Settlements

The carrying amount reported in the Statement of Net Assets for estimated third-party payor settlements approximates its fair value.

C. Fair Value Measurements

The Hospital has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the Statement of Net Assets are categorized based on the inputs to valuation techniques as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Hospital has the ability to access. Investments include mutual funds.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of certificates of deposit.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Based upon the levels as defined the investments as of December 31, 2010, are classified as follows:

Hospital Investment Type	December 31, 2010	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets For Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 15,985,258	\$ -	\$ 15,985,258	\$ -
Mutual funds	<u>20,908,569</u>	<u>20,908,569</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 36,893,827</u>	<u>\$ 20,908,569</u>	<u>\$ 15,985,258</u>	<u>\$ -</u>

D. Pension Plans

1. Defined Benefit Pension Plan

Plan Description

The Hospital and Health Services Corporation of Southeastern Indiana (component unit) have a defined benefit pension plan administered by Dearborn County Hospital as authorized by Indiana Code 16-22-3-11. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by the Hospital Board of Trustees.

Funding Policy

The contribution requirements of plan members are established by the Hospital Board of Trustees. The Hospital is required to contribute at an actuarially determined rate. The current rate is 3.71% of annual covered payroll.

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	Defined Benefit Pension Plan
Annual required contribution	\$ 1,402,407
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	1,402,407
Contributions made	1,402,407
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ -
Contribution rate:	
Hospital	3.71%
Actuarial valuation date	11-01-09
Actuarial cost method	Frozen entry age
Asset valuation method	5 year expected return

Actuarial Assumptions

Investment rate of return	7.5%
Projected future salary increases	1.5%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
10-31-08	\$ 989,643	100%	\$ -
10-31-09	1,241,227	100%	-
10-31-10	1,402,407	100%	-

DEARBORN COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Defined Contribution Pension Plans

a. Dearborn County Hospital Defined Annuity Plan

Plan Description

The Hospital has a defined contribution pension plan administered by Lincoln National as authorized by Indiana Code 16-22-3-11. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Pat Sutton
Director of Human Resources and Hospital Services
600 Wilson Creek Road
Lawrenceburg, IN 47025
Ph. (812) 537-1010

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. Plan members are not required to contribute to the plan. The Hospital is required to contribute at a rate determined by the Board. The current rate is 0%. Employee contributions to the plan were \$1,512,878.

b. Health Services Corporation of Southeastern Indiana Defined Annuity Plan

Plan Description

The Health Services Corporation of Southeastern Indiana (component unit) has a defined contribution pension plan administered by Lincoln National. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Pat Sutton
Director of Human Resources and Hospital Services
600 Wilson Creek Road
Lawrenceburg, IN 47025
Ph. (812) 537-1010

Funding Policy and Annual Pension Cost

Plan members are not required to contribute to the plan. The Health Services Corporation of Southeastern Indiana's current contribution rate is 0%. Employee contributions to the plan were \$267,046.

DEARBORN COUNTY HOSPITAL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
11-01-07	\$ 19,564,471	\$ 21,521,885	\$ (1,957,414)	91%	\$ 28,739,322	(7%)
11-01-08	17,978,531	24,427,463	(6,448,932)	74%	30,375,188	(21%)
11-01-09	20,838,619	27,735,305	(6,896,686)	75%	37,812,790	(18%)

DEARBORN COUNTY HOSPITAL
COMBINING STATEMENT OF NET ASSETS
December 31, 2010

<u>Assets</u>	<u>Hospital</u>	<u>Health Services Corporation</u>	<u>Eliminations</u>	<u>Total Primary Government</u>
Current assets:				
Cash and cash equivalents	\$ 12,403,745	\$ 298,939	\$ -	\$ 12,702,684
Patient accounts receivable, net of estimated uncollectibles of \$20,586,433	13,138,511	804,393	-	13,942,904
Inventories	1,193,359	-	-	1,193,359
Prepaid expenses	661,823	54,529	-	716,352
Short-term loans receivable	-	8,571	-	8,571
Other current assets	17,892	-	-	17,892
Noncurrent cash and investments:				
Internally designated	40,499,225	-	-	40,499,225
Capital assets:				
Capital assets not being depreciated	559,384	696,674	-	1,256,058
Depreciable capital assets, net of accumulated depreciation	47,001,459	5,078,564	-	52,080,023
Long-term loans receivable	7,256,302	487,346	(7,035,173)	708,475
Other assets	163,254	-	-	163,254
Total assets	<u>\$ 122,894,954</u>	<u>\$ 7,429,016</u>	<u>\$ (7,035,173)</u>	<u>\$ 123,288,797</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Current maturities of long-term debt	\$ 420,154	\$ -	\$ -	\$ 420,154
Accounts payable	1,113,095	1,483	-	1,114,578
Accrued salaries and wages	638,802	255,454	-	894,256
Accrued taxes and other withholdings	359,310	7,183	-	366,493
Accrued employee benefits	2,111,079	51,610	-	2,162,689
Other current liabilities	1,997,125	78,113	-	2,075,238
Long-term debt, net of current maturities	28,931,711	-	-	28,931,711
Other long-term liabilities	-	7,035,173	(7,035,173)	-
Total liabilities	<u>35,571,276</u>	<u>7,429,016</u>	<u>(7,035,173)</u>	<u>35,965,119</u>
Net assets:				
Invested in capital assets, net of related debt	24,147,471	5,775,238	-	29,922,709
Unrestricted	63,176,207	(5,775,238)	-	57,400,969
Total net assets	<u>87,323,678</u>	<u>-</u>	<u>-</u>	<u>87,323,678</u>
Total liabilities and net assets	<u>\$ 122,894,954</u>	<u>\$ 7,429,016</u>	<u>\$ (7,035,173)</u>	<u>\$ 123,288,797</u>

DEARBORN COUNTY HOSPITAL
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Year Ended December 31, 2010

	Hospital	Health Services Corporation	Eliminations	Total Primary Government
Operating revenues:				
Net patient service revenue (net of provision for bad debt)	\$ 72,456,913	\$ 7,297,664	\$ -	\$ 79,754,577
Other	1,960,122	300,043	-	2,260,165
Total operating revenues	74,417,035	7,597,707	-	82,014,742
Operating expenses:				
Salaries and wages	32,229,564	5,583,015	-	37,812,579
Employee benefits	10,766,338	1,251,026	-	12,017,364
Physician fees	3,148,772	-	-	3,148,772
Supplies	12,899,682	648,688	-	13,548,370
Insurance	415,355	199,187	-	614,542
Depreciation and rentals	6,393,950	795,388	-	7,189,338
Other expenses	10,002,933	703,906	(1,562,796)	9,144,043
Total operating expenses	75,856,594	9,181,210	(1,562,796)	83,475,008
Operating loss	(1,439,559)	(1,583,503)	1,562,796	(1,460,266)
Nonoperating revenues (expenses):				
Investment income	2,252,137	20,707	-	2,272,844
Investment expense	(236,924)	-	-	(236,924)
Other	645,811	355,316	(1,562,796)	(561,669)
Total nonoperating revenues (expenses)	2,661,024	376,023	(1,562,796)	1,474,251
Excess (deficiency) of revenues over (under) expenses before capital grants and contributions	1,221,465	(1,207,480)	-	13,985
Capital grants and contributions	500,000	1,207,480	-	1,707,480
Increase in net assets	1,721,465	-	-	1,721,465
Net assets beginning of the year	85,602,213	-	-	85,602,213
Net assets end of the year	\$ 87,323,678	\$ -	\$ -	\$ 87,323,678

DEARBORN COUNTY HOSPITAL
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

	Hospital	Health Services Corporation	Eliminations	Total Primary Government
Cash flows from operating activities:				
Receipts from and on behalf of patients	\$ 71,081,045	\$ 7,339,236	\$ -	\$ 78,420,281
Payments to suppliers and contractors	(26,581,848)	(2,943,962)	-	(29,525,810)
Payments to employees	(43,119,897)	(7,096,868)	-	(50,216,765)
Other receipts and payments, net	(227,132)	4,087,048	-	3,859,916
	<u>1,152,168</u>	<u>1,385,454</u>	<u>-</u>	<u>2,537,622</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,205,558)	(3,026,642)	-	(4,232,200)
Proceeds from sale of capital assets	32,561	58,296	-	90,857
Capital grants and contributions	500,000	1,207,480	-	1,707,480
Principal paid on long-term debt	(418,925)	-	-	(418,925)
Interest paid on long-term debt	(236,924)	-	-	(236,924)
	<u>(1,328,846)</u>	<u>(1,760,866)</u>	<u>-</u>	<u>(3,089,712)</u>
Cash flows from investing activities:				
Interest and dividends on investments	2,219,858	-	-	2,219,858
Proceeds from sale of investments	5,938,524	-	-	5,938,524
	<u>8,158,382</u>	<u>-</u>	<u>-</u>	<u>8,158,382</u>
Net increase (decrease) in cash and cash equivalents	7,981,704	(375,412)	-	7,606,292
Cash and cash equivalents at beginning of year	<u>9,217,705</u>	<u>674,351</u>	<u>-</u>	<u>9,892,056</u>
Cash and cash equivalents at end of year	<u>\$ 17,199,409</u>	<u>\$ 298,939</u>	<u>\$ -</u>	<u>\$ 17,498,348</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 12,403,745	\$ 298,939	\$ -	\$ 12,702,684
Restricted cash and cash equivalents	4,795,664	-	-	4,795,664
Total cash and cash equivalents	<u>\$ 17,199,409</u>	<u>\$ 298,939</u>	<u>\$ -</u>	<u>\$ 17,498,348</u>
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (1,439,559)	\$ (1,583,503)	\$ 1,562,796	\$ (1,460,266)
Adjustments to reconcile operating loss to net cash flows provided in operating activities:				
Depreciation	5,965,213	261,056	-	6,226,269
Provision for bad debts	10,680,898	239,131	-	10,920,029
Other nonoperating income (expenses)	821,930	376,023	(1,562,796)	(364,843)
(Increase) decrease in current assets:				
Patient accounts receivable	(12,056,766)	(197,559)	-	(12,254,325)
Supplies and other current assets	210,049	11,488	-	221,537
Long-term loans receivable	(3,009,184)	-	2,976,169	(33,015)
Increase (decrease) in current liabilities:				
Accounts payable	103,581	(631)	-	102,950
Accrued wages and benefits	(123,994)	(262,827)	-	(386,821)
Other current liabilities	-	(433,893)	-	(433,893)
Other long-term liabilities	-	2,976,169	(2,976,169)	-
Net cash provided in operating activities	<u>\$ 1,152,168</u>	<u>\$ 1,385,454</u>	<u>\$ -</u>	<u>\$ 2,537,622</u>

The Hospital held investments at December 31, 2010, with a fair value of \$20,908,569. During 2010, the net increase in the fair value of these investments was \$965,156.

DEARBORN COUNTY HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2011, with Peter V. Resnick, Executive Director/Treasurer; Philip A. Meyer, Director of Finance; Linda Cherry, Controller; and Tisha Owens, Senior Accountant. Our audit disclosed no material items that warrant comment at this time.