Health and Hospital Corporation of Marion County, Indiana

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

Auditor's Report and Financial Report

For the Year Ended December 31, 2019

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
For the Year Ended December 31, 2019

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(A Component Unit of the Consolidated City of Indianapolis - Marion County)
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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Eskenazi Medical Group, Inc. and Lions Insurance Company, component units included in the financial statements of the business-type activities, were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Health and Hospital Corporation of Marion County, Indiana as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 29, 2020, on our consideration of Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
June 29, 2020

Management's Discussion and Analysis (Unaudited)

As management of the Health and Hospital Corporation of Marion County, Indiana, (Corporation), we offer readers of this Corporation's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $973.5 million (net position). Unrestricted net position at the end of 2019 is $271.5 million.
- The Corporation's total net position increased by $123.3 million, from current year activities.
- As of the close of 2019, the Corporation's governmental funds reported combined ending fund balances of $542.4 million, an increase of $57.6 million in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $434.5 million or 213.1% of total General Fund expenditures.
- The Corporation's total debt, excluding capital leases, decreased by $5.6 million or 3.1% during the current fiscal year. This reflects scheduled principal payments on outstanding bonds. The capital lease obligations decreased by $78.4 million or 10.3% in 2019.
- Effective January 1, 2019, the Corporation adopted GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Adoption of these standards had no impact on the Corporation's financial statements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of the Corporation as a Whole

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows exceeded liabilities and deferred inflows by $973.5 million at December 31, 2019. The Corporation's net position increased by $123.3 million, compared to $39.6 million in 2018.

The Corporation's net position includes its investment in capital assets (e.g., land, buildings, machinery, and equipment,) plus restricted funds, less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position is $271.5 million.

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 645,972	$ 582,740	$ 598,804	$ 583,447	$ 1,244,776	$ 1,166,187
Capital assets, net of accumulated depreciation	42,037	27,773	923,259	1,026,978	965,296	1,054,751
Total assets	688,009	610,513	1,522,063	1,610,425	2,210,072	2,220,938
Deferred Outflows of Resources	4,260	4,629	9,793	13,719	14,053	18,348
Liabilities						
Other liabilities	30,568	44,467	140,352	149,976	170,920	194,443
Long-term liabilities	634,171	655,634	405,848	508,157	1,040,019	1,163,791
Total liabilities	664,739	700,101	546,200	658,133	1,210,939	1,358,234
Deferred Inflows of Resources	4,560	5,009	35,137	25,846	39,697	30,855
Net Position						
Net investment in capital assets	26,770	22,839	661,701	699,533	688,471	722,372
Restricted	13,539	645	-	-	13,539	645
Unrestricted	(17,339)	(113,452)	288,818	240,632	271,479	127,180
Total net position	$ 22,970	$ (89,968)	$ 950,519	$ 940,165	$ 973,489	$ 850,197

Changes in Net Position

The Corporation's total revenue was $1.85 billion during the current fiscal year. Taxes represent 7.3% of the Corporation's revenue. Medicaid special revenue represents 4.9% of revenue, while 83.0% of revenue came from fees charged for services. The remaining 4.8% came from grants and contributions, investment earnings, Build America Bond subsidies, and a gain from terminating an OPEB plan.

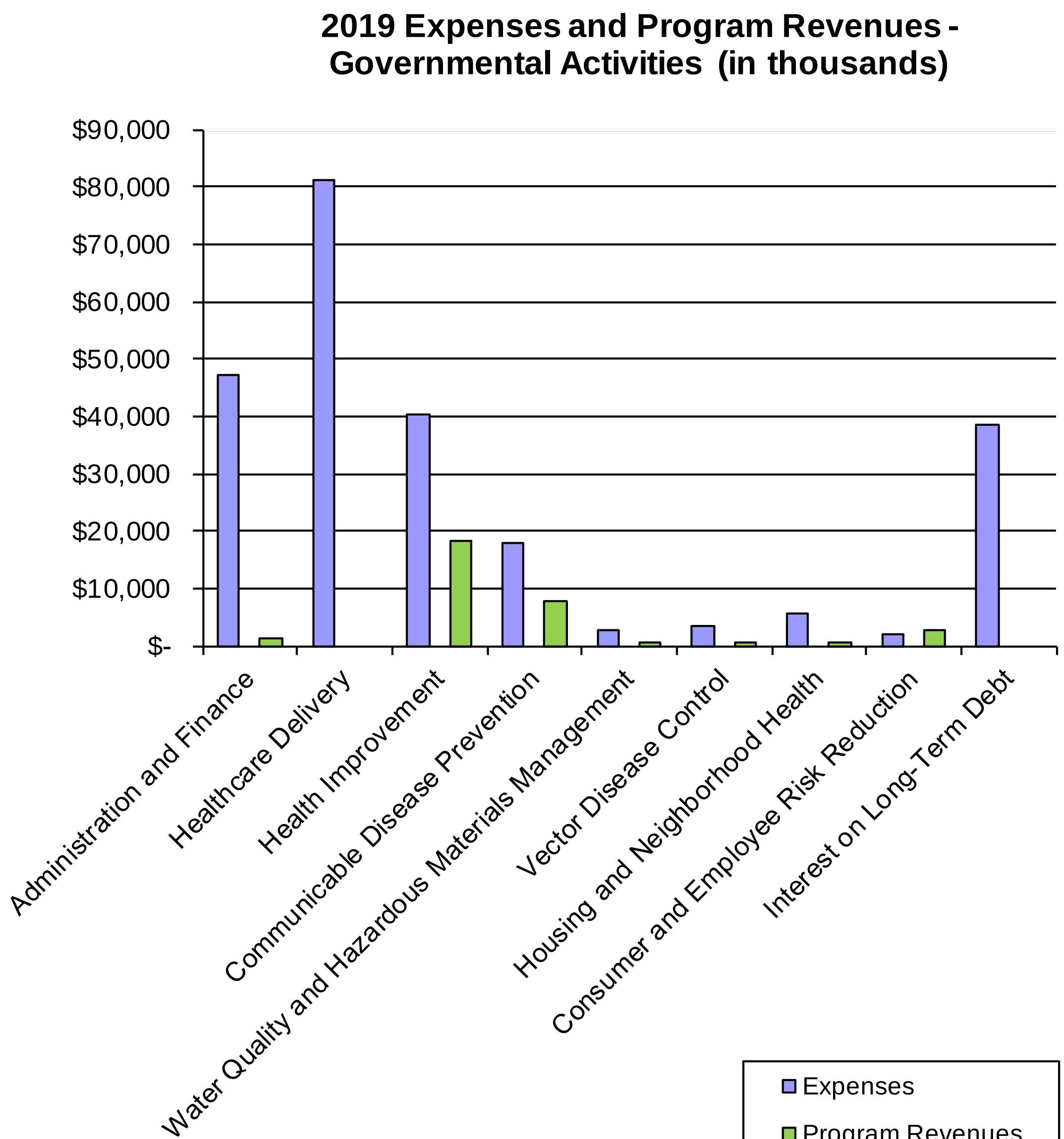
The total cost of all programs and services was $1.73 billion. This resulted in an increase in net position for the year of $123.3 million.

Governmental activities - Governmental activities increased the Corporation's net position by $112.9 million compared to the total $123.3 million increase in net position of the Corporation. Medicaid special revenue increased $63.8 million from prior year due to the cyclical nature of certain DSH settlements occurring every other year. Government activities received $22.5 million in operating grants and contributions in 2019. Net transfers were $71.9 million, compared to $90.6 million from prior year. 2019 transfers reflect decreases in Long-Term Care Fund transfers to the General Fund and General Fund transfers to the Eskenazi Health Fund. Similar to 2018, the decrease of General Fund transfers in is attributed to Long-Term Care retaining a portion of the Medicaid special revenue to strengthen its cash position. The decrease in Eskenazi Health Fund support is in line with the plan to decrease Eskenazi Health Fund support in future fiscal years.

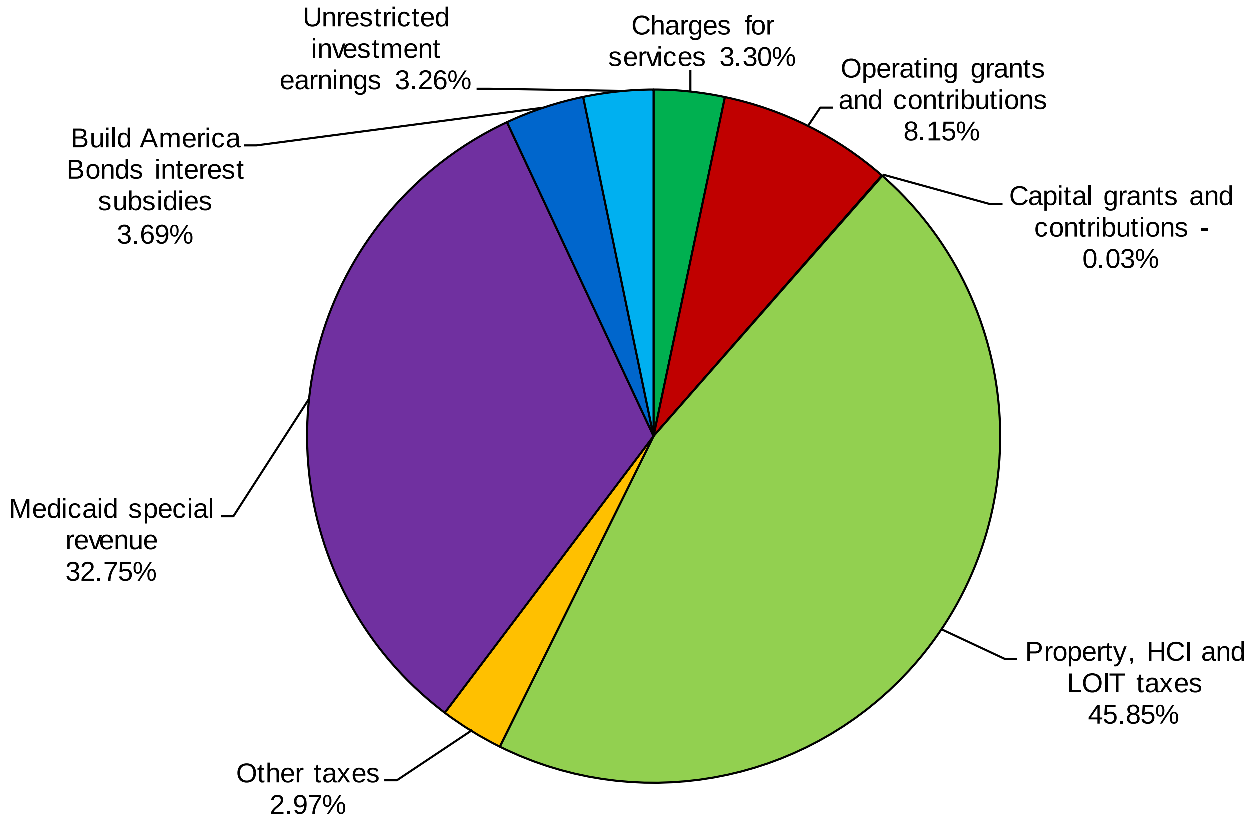
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 9,094	$ 9,318	$ 1,527,057	$ 1,527,786	$ 1,536,151	$ 1,537,104
Operating grants and contributions	22,470	25,069	25,359	26,691	47,829	51,760
Capital grants and contributions	75	25	-	-	75	25
General revenues:						
Property, HCI and local option income taxes	126,457	123,512	-	-	126,457	123,512
Other taxes	8,204	7,717	-	-	8,204	7,717
Medicaid special revenue	90,338	26,565	-	-	90,338	26,565
Build America Bonds interest subsidies	10,191	10,153	-	-	10,191	10,153
Unrestricted investment earnings	8,979	5,885	6,181	1,441	15,160	7,326
Total revenues	275,808	208,244	1,558,597	1,555,918	1,834,405	1,764,162
Expenses						
Administration and finance	47,103	50,974	-	-	47,103	50,974
Healthcare delivery	81,302	100,117	-	-	81,302	100,117
Health improvement	40,226	37,377	-	-	40,226	37,377
Communicable disease prevention	17,881	17,501	-	-	17,881	17,501
Water quality and hazardous material management	2,582	2,517	-	-	2,582	2,517
Vector disease control	3,477	3,494	-	-	3,477	3,494
Housing and neighborhood health	5,757	5,132	-	-	5,757	5,132
Consumer and employee risk reduction	2,101	2,001	-	-	2,101	2,001
Interest on long-term debt	38,384	39,439	-	-	38,384	39,439
Eskenazi Health	-	-	735,835	731,439	735,835	731,439
Long-term care	-	-	753,824	734,548	753,824	734,548
Total expenses	238,813	258,552	1,489,659	1,465,987	1,728,472	1,724,539
Increase (Decrease) in Net Position Before Transfers and Special Items	36,995	(50,308)	68,938	89,931	105,933	39,623
Special item- gain on termination of OPEB Plan	4,042	-	13,317	-	17,359	-
Transfers	71,901	90,642	(71,901)	(90,642)	-	-
Increase (Decrease) in Net Position	112,938	40,334	10,354	(711)	123,292	39,623
Net Position, Beginning of Year, as previously reported	(89,968)	(126,611)	940,165	953,148	850,197	826,537
Change in accounting principle	-	(3,691)	-	(12,272)	-	(15,963)
Net Position, Beginning of Year, as restated	(89,968)	(130,302)	940,165	940,876	850,197	810,574
Net Position, End of Year	$ 22,970	$ (89,968)	$ 950,519	$ 940,165	$ 973,489	$ 850,197

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



2019 Revenues by Source - Governmental Activities

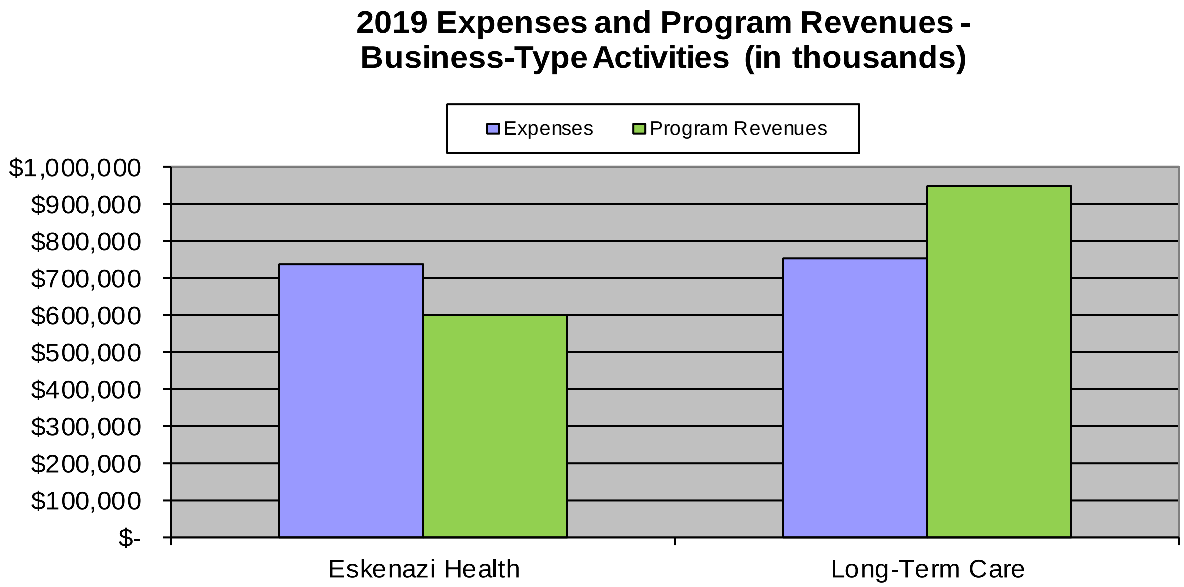


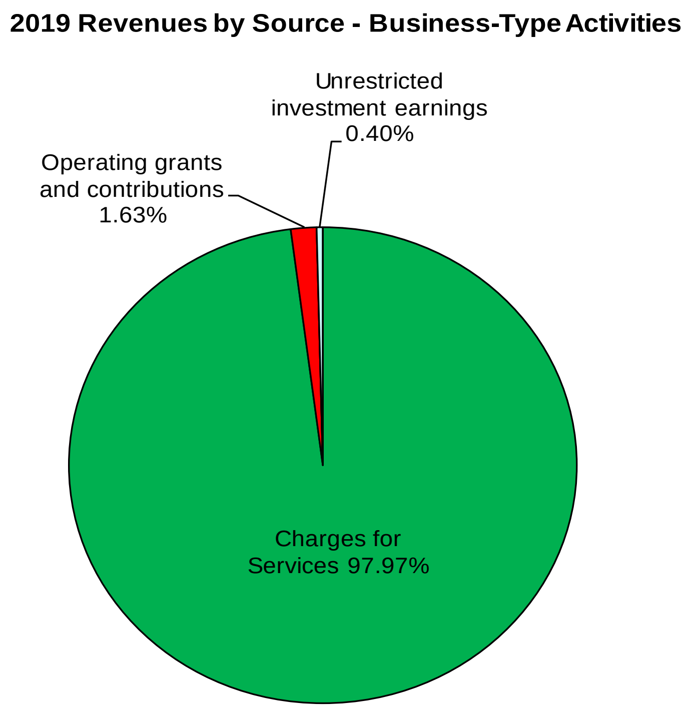
Business-type activities - Business-type activities increased the Corporation's net position by $10.4 million compared to a decrease of $0.7 million in 2018.

Eskenazi Health's net position increased by $7.9 million in the current year. Net investment in capital assets decreased by $40.6 million; increases in capital assets totaled $20.5 million, which was offset by depreciation of $61.1 million. Operating revenues increased by $18.9 million due to an increase in net patient service revenue of $16.3 million and an increase of other revenue of $2.6 million. Eskenazi Health support received from the General Fund decreased by $26.9 million in 2019. Operating expenses had no change from 2018, but there was a decrease in personnel and professional fees offset by increased pharmaceuticals. Eskenazi Health incurred an operating loss of $153.0 million, which was offset by $117.3 million in transfers from the General Fund and $25.4 million in grants from various agencies.

Long-Term Care net position was $170.0 million, an increase of $2.5 million compared to 2018. Operating revenues decreased $19.6 million due to decreased Medicaid special revenue. Operating expenses increased $24.3 million over 2018. This was primarily due to increased staffing costs associated with the tight labor market. Income before capital contributions and transfers decreased $37.9 million primarily due to the increased staffing costs. Long-Term Care has a $22.2 million net investment in capital assets, an increase of $2.8 million over 2018. All 78 facilities are recorded as capital assets under noncurrent assets.

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





Financial Analysis of the Corporation's Funds

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

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

As of the current fiscal year end, the Corporation's governmental funds reported combined ending fund balances of $542.4 million, an increase of $57.6 million in comparison with the prior year. Approximately 19.3% of this total amount, or $104.6 million, constitutes restricted and assigned fund balance, which is related to capital outlays for the new hospital, money set aside for debt service, and year-end encumbrances. Approximately 80.1% of the total amount, or $434.5 million, is unassigned fund balance. The remaining 0.6% of fund balance is nonspendable.

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $434.5 million, while the total fund balance increased $60.1 million to a balance of $455.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 213.1% of total General Fund expenditures, while total fund balance represents 223.1% of that same amount.

The Corporation's General Fund total fund balance increased by $60.1 million during the current fiscal year compared to a $12.5 million increase in 2018. Tax revenue collections increased by $3.4 million from 2018 to 2019. The General Fund tax levy and assessed values increased in 2019, and collections of taxes surpassed 2019 projections. Medicaid special revenue increased $37.3 million in 2019 as certain DSH settlements are cyclical in nature occurring every other year. Investment income increased $2.3 million as interest rates continued to improve throughout 2019. Total expenditures decreased by $17.5 million in 2019 due to decreased administrative and intergovernmental expenditures. The administrative expenditures decrease relates to the termination of the Corporation's OPEB plan and a large one-time support payment in 2018 for a new community justice campus. The decrease in intergovernmental expenditures is a result of an intergovernmental transfer rate decrease for the Long-Term Care Upper Payment Limit program. Decreased 2019 transfers out of $27.0 million relate to less Eskenazi Health support in 2019. Transfers in decreased by $40.3 million. The transfers in decrease are attributed to Long-Term Care retaining more Medicare special revenue than projected to strengthen its cash position in 2019. The 2019 fund balance increase for the General Fund, of $60.1 million, related to 2019 taxes, investment income, and Medicaid special revenue exceeding projections. Also, expenditures were under budget due to year-end initiatives not occurring during 2019.

***Debt Service Fund* -** The Debt Service Fund has a fund balance of $14.2 million compared to a fund balance of $14.0 million in 2018. The net increase in fund balance during the current year was $0.2 million. In 2019, both investment income and Build America Bonds interest subsidies were better than budget, contributing to the fund balance increase. The fund balance increase was partially offset by $0.2 million of debt service reserve monies that were released and transferred out to the Capital Projects Fund.

***Capital Projects Fund* -** The Capital Projects Fund has a total fund balance of $73.3 million. The net decrease in fund balance during the current year was $2.7 million. The fund balance decrease is related to capital project outlays planned in prior year that occurred in 2019.

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

Unrestricted net position of Eskenazi Health at the end of the year was $141.0 million. In 2019, the total net position for Eskenazi Health increased by $7.9 million. Other factors concerning the finances of Eskenazi Health were addressed in the discussion of the Corporation's business-type activities. Unrestricted net position of Long-Term Care at the end of the year was $147.8 million. Total net position for Long-Term Care increased by $2.5 million in 2019. Additional information on Long-Term Care operations can be found in the discussion of the Corporation's business-type activities.

General Fund Budgetary Highlights

The original budget of $349.6 million remained unchanged during 2019, both in total and by major object of expenditure. The $349.6 million budget included $176.3 million in expenditures and $173.3 million in transfers out. Actual expenditures and transfers out totaled $319.4 million. Of the total $30.1 million underspending, $4.8 million related to personal services, $3.6 million to supplies, $21.4 million to other charges and services (including transfers out) and $0.2 million to capital outlays. Underspending for all reflects potential year-end initiatives that did not occur. General revenues and other resources were estimated at $351.5 million, and actual was $372.1 million. Medicaid special revenue was $29.4 million better than budget as expected hospital DSH settlements expected to occur in 2018 actually occurred in 2019. 2019 transfers in were $18.6 million under budget due to Long-Term Care withholding a portion of the budgeted amount to strengthen its cash position.

Capital Asset and Debt Administration

Capital Assets - The Corporation's capital assets for its governmental and business-type activities as of December 31, 2019, amount to $1.0 billion (net of accumulated depreciation), a decrease from $1.1 billion at the end of 2018. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles and construction in progress.

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

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 2,133	$ 4,095	$ 9,698	$ 11,623	$ 11,831	$ 15,718
Land improvements	-	-	51,318	56,144	51,318	56,144
Buildings and improvements	13,094	11,187	717,521	805,479	730,615	816,666
Equipment	6,540	4,893	114,358	131,943	120,898	136,836
Vehicles	1,358	1,094	2,372	1,720	3,730	2,814
Construction in progress	18,912	6,504	27,992	20,069	46,904	26,573
Total assets	$ 42,037	$ 27,773	$ 923,259	$ 1,026,978	$ 965,296	$ 1,054,751

Long-Term Debt - At the end of 2019, the Corporation had total general obligation debt outstanding of $175.4 million. Moody's Investors Service rates the Corporation's general obligation debt "Aa2".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is $274.5 million. Outstanding general obligation debt (excluding premiums) at December 31, 2019 represents 62.9% of this limit.

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

(dollars in thousands)

	Governmental Activities 2019	Governmental Activities 2018	Business-Type Activities 2019	Business-Type Activities 2018	Total 2019	Total 2018
1988 renovation bonds	$ -	$ 2,195	$ -	$ -	$ -	$ 2,195
2005 general obligation bonds	10,410	12,195	-	-	10,410	12,195
2010 general obligation bonds	162,100	163,560	-	-	162,100	163,560
Unamortized bond premiums	2,888	3,072	-	-	2,888	3,072
Capital leases	421,051	432,867	260,883	327,445	681,934	760,312
Total long-term debt	$ 596,449	$ 613,889	$ 260,883	$ 327,445	$ 857,332	$ 941,334

Economic Factors and Next Year's Budgets and Rates

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced. Subsequent to year-end, the worldwide spread of COVID-19 began to cause some business disruption throughout the United States as local governments implemented orders to reduce non-essential business operations and advised citizens to shelter-in place. The Corporation has continued to operate as an essential healthcare provider and experienced declines in volumes related to elective procedure cancellations, lower outpatient visits and impacts to volumes of long-term care operations. See Note 1 for additional information.

The 2020 original budget for all annually budgeted funds is $410.7 million. No revisions have been made through June 2020. The 2020 General Fund budget is $329.9 million. The 5.7% decrease from the 2019 final General Fund budget of $349.6 million reflects a $28.4 million decrease in other charges and services, which includes reduced operating transfers to the Eskenazi Health Fund. The 2020 General Fund budget also reflects increases in personal services, supplies, and capital outlays totaling $8.7 million. The budget for the Corporation will continue to be challenged by increasing expenditures and declining revenue in the form of property tax caps.

Requests for Information

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

Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Statement of Net Position
December 31, 2019
(Dollars in thousands)

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 323,870	$ 420,509	$ 744,379
Investments	17,498	93,813	111,311
Receivables, net:			
Patient services	-	132,737	132,737
Medicaid special revenue	32,242	66,036	98,278
Grants	6,220	7,222	13,442
Other	12,054	12,649	24,703
Internal balances	200,042	(200,042)	-
Inventories	-	6,679	6,679
Joint venture escrow	-	10,088	10,088
Estimated Medicare/Medicaid settlements	-	15,861	15,861
Prepaid costs and other assets	3,319	12,093	15,412
Restricted cash and cash equivalents	12,674	-	12,674
Restricted investments	-	8,352	8,352
Lease acquisition costs (net of accumulated amortization)	-	8,230	8,230
Joint venture investments	36,756	2,760	39,516
Other long-term assets	1,297	1,817	3,114
Capital assets (net of accumulated depreciation):			
Land	2,133	9,698	11,831
Land improvements	-	51,318	51,318
Buildings and improvements	13,094	717,521	730,615
Equipment	6,540	114,358	120,898
Vehicles	1,358	2,372	3,730
Construction in progress	18,912	27,992	46,904
Total assets	688,009	1,522,063	2,210,072
Deferred Outflows of Resources	4,260	9,793	14,053
Liabilities			
Accounts payable	25,766	98,427	124,193
Restricted accounts payable	2,249	-	2,249
Accrued liabilities	1,519	24,389	25,908
Unearned revenue	1,034	267	1,301
Estimated Medicare/Medicaid settlements	-	16,739	16,739
Medical claims incurred but not reported	-	530	530
Long-term liabilities:			
Due within one year	25,329	105,121	130,450
Due in more than one year	608,842	300,727	909,569
Total liabilities	664,739	546,200	1,210,939
Deferred Inflows of Resources	4,560	35,137	39,697
Net Position			
Net investment in capital assets	26,770	661,701	688,471
Restricted for:			
Health services	865	-	865
Debt service	12,674	-	12,674
Unrestricted	(17,339)	288,818	271,479
Total net position	$ 22,970	$ 950,519	$ 973,489

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Activities
For the Year Ended December 31, 2019

(Dollars in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
Administration and finance	$ 47,103	$ 1,384	$ -	$ -	$ (45,719)	$ -	$ (45,719)
Healthcare delivery	81,302	-	-	-	(81,302)	-	(81,302)
Health improvement	40,226	3,582	14,799	-	(21,845)	-	(21,845)
Communicable disease prevention	17,881	569	6,961	75	(10,276)	-	(10,276)
Water quality and hazardous materials management	2,582	499	68	-	(2,015)	-	(2,015)
Vector disease control	3,477	480	-	-	(2,997)	-	(2,997)
Housing and neighborhood health	5,757	89	549	-	(5,119)	-	(5,119)
Consumer and employee risk reduction	2,101	2,491	93	-	483	-	483
Interest on long-term debt	38,384	-	-	-	(38,384)	-	(38,384)
Total governmental activities	238,813	9,094	22,470	75	(207,174)	-	(207,174)
Business-Type Activities							
Eskenazi Health	735,835	577,062	25,359	-	-	(133,414)	(133,414)
LT Care	753,824	949,995	-	-	-	196,171	196,171
Total business-type activities	1,489,659	1,527,057	25,359	-	-	62,757	62,757
Total	$ 1,728,472	$ 1,536,151	$ 47,829	$ 75	(207,174)	62,757	(144,417)
General revenues:							
Property and local income taxes					88,457	-	88,457
Health Care for the Indigent taxes					38,000	-	38,000
Excise taxes					6,648	-	6,648
Financial institution taxes					1,556	-	1,556
Medicaid special revenue (unrestricted)					90,338	-	90,338
Build America Bonds interest subsidies					10,191	-	10,191
Unrestricted investment earnings					8,979	6,181	15,160
Special item- gain on termination of OPEB plan					4,042	13,317	17,359
Transfers					71,901	(71,901)	-
Total general revenues and transfers					320,112	(52,403)	267,709
Change in net position					112,938	10,354	123,292
Net position - beginning of year					(89,968)	940,165	850,197
Net position - end of year					$ 22,970	$ 950,519	$ 973,489

See Notes to Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana

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

Balance Sheet - Governmental Funds

December 31, 2019

(Dollars in thousands)

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 246,833	$ 1,476	$ 75,561	$ 323,870
Restricted cash and cash equivalents	-	12,674	-	12,674
Investments	17,498	-	-	17,498
Receivables (net of allowance for uncollectibles):				
Grants	6,220	-	-	6,220
Medicaid special revenue	32,242	-	-	32,242
Other	6,947	5,104	3	12,054
Due from other funds	205,146	-	-	205,146
Prepaid costs and other assets	3,319	-	-	3,319
Other long-term receivables	1,297	-	-	1,297
Total assets	$ 519,502	$ 19,254	$ 75,564	$ 614,320
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 25,766	$ -	$ 2,249	$ 28,015
Salaries and related benefits	1,519	-	-	1,519
Unearned revenue	1,034	-	-	1,034
Due to other funds	-	5,104	-	5,104
Accrued self-insurance claims	447	-	-	447
Total liabilities	28,766	5,104	2,249	36,119
Deferred Inflows of Resources				
Unavailable revenues	35,755	-	3	35,758
Fund Balances				
Nonspendable	3,319	-	-	3,319
Restricted for debt service	-	12,674	-	12,674
Assigned	17,166	1,476	73,312	91,954
Unassigned	434,496	-	-	434,496
Total fund balances	454,981	14,150	73,312	542,443
Total liabilities, deferred inflows of resources and fund balances	$ 519,502	$ 19,254	$ 75,564	

Amounts reported for governmental activities in the statement of net position are different because:	
Net capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund statements	42,037
Joint venture investments are not financial resources and therefore are not reported in the fund statements	36,756
Net pension liability is not due and payable in the current period and therefore is not recorded in the funds statement	(28,918)
Deferred inflows of resources not meeting availability criteria in fund statements are not in the statement of net position	35,758
Deferred inflows of resources related to pension that are not available to pay for current period expenditures and therefore are not reported in the fund statements and include:	(4,560)
Deferred outflows of resources are not financial resources and therefore are not reported in the fund statements and include:	
Loss on refunding	280
Pension	3,980
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements (excludes matured bond principal and interest)	(604,806)
Net position of governmental activities	$ 22,970

Health and Hospital Corporation of Marion County, Indiana

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

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

For the Year Ended December 31, 2019

(Dollars in thousands)

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Taxes	$ 129,615	$ 4,809	$ 236	$ 134,660
Licenses and permits	4,663	-	-	4,663
Intergovernmental	22,616	-	-	22,616
Charges for services	1,364	-	-	1,364
Medicaid special revenue	63,701	-	-	63,701
Investment income	9,648	247	2,241	12,136
Build America Bonds interest subsidies	-	10,191	-	10,191
Miscellaneous	9,249	-	-	9,249
Total revenues	240,856	15,247	2,477	258,580
Expenditures				
Current				
Administrative	47,009	-	-	47,009
Population health	28,596	-	-	28,596
Environmental health	13,071	-	-	13,071
Health center program	1,055	-	-	1,055
Data processing	5,152	-	-	5,152
Grant programs	21,488	-	-	21,488
Capital outlays	6,259	-	20,358	26,617
Debt service				
Principal	-	17,256	-	17,256
Interest and fiscal charges	-	38,480	-	38,480
Intergovernmental	81,302	-	-	81,302
Total expenditures	203,932	55,736	20,358	280,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,924	(40,489)	(17,881)	(21,446)
Other Financing Sources (Uses)				
Transfers in	196,359	40,856	15,211	252,426
Transfers out	(173,140)	(211)	-	(173,351)
Total other financing sources and uses	23,219	40,645	15,211	79,075
Net change in fund balances	60,143	156	(2,670)	57,629
Fund balances - beginning of year	394,838	13,994	75,982	484,814
Fund balances - end of year	$ 454,981	$ 14,150	$ 73,312	$ 542,443

Health and Hospital Corporation of Marion County, Indiana

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities For the Year Ended December 31, 2019

(Dollars in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	$	57,629
Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities		(3,093)
Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position		26,617
Contributed capital assets shown as an expense in the statement of net position but not reported in the fund statements		(2,087)
Changes in joint venture investment are reported in the statement of net position but are not reported in the fund statements		(631)
Transfers of capital assets from governmental activities to the business type activities are not shown in the fund statements		(7,174)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements		20,419
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items		17,352
Compensated absences that do not require the use of current financial resources are not reported as expenditures in the fund statements		(274)
Portion of pension expense in the statement of activities that does not require the use of current financial resources and therefore is not reported as an expenditure in the fund statements		296
Portion of other postemployment benefit gain in the statement of activities that does not require the use of current financial resources and therefore is not reported in the fund statements		4,042
Asserted and unasserted self-insurance claims that do not require the use of current financial resources are not reported as expenditures in the fund statements		(158)
Change in net position of governmental activities	$	112,938

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Net Position - Proprietary Funds
December 31, 2019

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 196,454	$ 224,055	$ 420,509
Investments	39,865	53,948	93,813
Receivables (net of allowance for uncollectibles):			
Patient services	72,093	60,644	132,737
Medicaid special revenue	-	66,036	66,036
Grants	7,222	-	7,222
Other	12,609	40	12,649
Estimated Medicare/Medicaid settlements	15,861	-	15,861
Inventories	6,679	-	6,679
Joint venture escrow	10,088	-	10,088
Prepaid costs and other assets	8,435	3,658	12,093
Total current assets	369,306	408,381	777,687
Noncurrent assets:			
Lease acquisition cost (net of accumulated amortization)	-	8,230	8,230
Joint venture investments	2,760	-	2,760
Investments restricted for deferred compensation	8,352	-	8,352
Other long-term assets	-	1,817	1,817
Nondepreciable capital assets	36,486	1,204	37,690
Depreciable capital assets (net of accumulated depreciation)	603,035	282,534	885,569
Total noncurrent assets	650,633	293,785	944,418
Total assets	1,019,939	702,166	1,722,105
Deferred Outflows of Resources	9,793	-	9,793
Total assets and deferred outflows of resources	1,029,732	702,166	1,731,898
Liabilities			
Current liabilities:			
Accounts payable	69,682	28,745	98,427
Accrued liabilities	13,643	10,746	24,389
Due to other funds	3,683	196,359	200,042
Capital lease obligation - current	-	73,047	73,047
Estimated Medicare/Medicaid settlements	1,552	15,187	16,739
Unearned revenue	267	-	267
Medical claims incurred but not reported	530	-	530
Accrued compensated absences - current	18,585	-	18,585
Asserted and unasserted self-insurance claims - current	7,091	6,398	13,489
Total current liabilities	115,033	330,482	445,515
Noncurrent liabilities:			
Asserted and unasserted self-insurance claims	3,012	13,871	16,883
Accrued compensated absences	4,973	-	4,973
Net pension liability	82,683	-	82,683
Net OPEB liability	-	-	-
Deferred compensation	8,352	-	8,352
Capital lease payable	-	187,836	187,836
Total noncurrent liabilities	99,020	201,707	300,727
Total liabilities	214,053	532,189	746,242
Deferred Inflows of Resources	35,137	-	35,137
Total liabilities and deferred inflows of resources	249,190	532,189	781,379
Net Position			
Net investment in capital assets	639,521	22,180	661,701
Unrestricted	141,021	147,797	288,818
Total net position	$ 780,542	$ 169,977	$ 950,519

Health and Hospital Corporation of Marion County, Indiana

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

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

For the Year Ended December 31, 2019

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 548,586	$ 695,716	$ 1,244,302
Medicaid special revenue	-	251,916	251,916
Other revenue	28,476	2,363	30,839
Total operating revenues	577,062	949,995	1,527,057
Operating expenses:			
Salaries	299,548	-	299,548
Employee benefits	74,767	-	74,767
Contract labor	2,170	429,010	431,180
Medical and professional fees	65,704	9,653	75,357
Purchased services	34,869	46,158	81,027
Supplies	63,920	49,265	113,185
Pharmaceuticals	59,857	12,219	72,076
Repairs and maintenance	10,985	6,514	17,499
Utilities	13,124	16,639	29,763
Equipment rental	5,474	10,305	15,779
Depreciation and amortization	61,120	83,501	144,621
Provider assessment fee	14,349	31,341	45,690
Other	24,192	35,765	59,957
Total operating expenses	730,079	730,370	1,460,449
Operating income (loss)	(153,017)	219,625	66,608
Nonoperating revenue (expenses):			
Noncapital gifts and grants	25,359	-	25,359
Investment income	3,528	2,653	6,181
Loss on disposal of capital assets	(5,756)	-	(5,756)
Interest expense	-	(23,454)	(23,454)
Gain on termination of OPEB plan	13,317	-	13,317
Total nonoperating revenue (expense)	36,448	(20,801)	15,647
Increase (decrease) in net position before transfers	(116,569)	198,824	82,255
Transfers - Capital assets transferred from governmental activities	7,174	-	7,174
Transfers - General Fund	117,284	(196,359)	(79,075)
Changes in net position	7,889	2,465	10,354
Total net position - beginning of year	772,653	167,512	940,165
Total net position - end of the year	$ 780,542	$ 169,977	$ 950,519

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2019

(Dollars in thousands)

	Eskenazi Health	LT Care	Total
Cash Flows From Operating Activities			
Receipts from patient services	$ 541,952	$ 670,503	$ 1,212,455
Receipts from other operations	41,439	2,363	43,802
Medicaid special revenue	-	258,984	258,984
Payments to suppliers	(303,737)	(128,326)	(432,063)
Payments to employees, contract labor, professional fees and purchased services	(394,198)	(486,324)	(880,522)
Net cash provided by (used in) operating activities	(114,544)	317,200	202,656
Cash Flows From Noncapital Financing Activities			
Cash receipts from noncapital gifts and grants	23,697	-	23,697
Transfers from (to) the General Fund	117,284	(236,700)	(119,416)
Net cash provided by (used in) noncapital financing activities	140,981	(236,700)	(95,719)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(19,088)	(15,987)	(35,075)
Deposits paid	-	(6,150)	(6,150)
Deposits returned	-	7,838	7,838
Payment of capital lease obligations	-	(66,562)	(66,562)
Interest expense payments	-	(23,454)	(23,454)
Net cash used in capital and related financing activities	(19,088)	(104,315)	(123,403)
Cash Flows From Investing Activities			
Proceeds from sale and maturities of investments	2,841	8,600	11,441
Purchases of investments	(36,375)	(62,548)	(98,923)
Interest and dividends received	1,712	2,653	4,365
Distributions from joint venture	5,488	-	5,488
Proceeds from sale of membership interests	26,252	-	26,252
Net cash used in investing activities	(82)	(51,295)	(51,377)
Net Increase (Decrease) in Cash and Cash Equivalents	7,267	(75,110)	(67,843)
Cash and Cash Equivalents, January 1	189,187	299,165	488,352
Cash and Cash Equivalents, December 31	$ 196,454	$ 224,055	$ 420,509
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (153,017)	$ 219,625	$ 66,608
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	61,120	83,501	144,621
Increase in carrying value of joint venture	(22)	-	(22)
Changes in operating assets and liabilities:			
Patient service receivables	(11,607)	1,457	(10,150)
Other receivables	12,985	7,070	20,055
Inventories	(1,355)	-	(1,355)
Prepaid costs and other assets	(805)	80	(725)
Deferred inflows and outflows of resources	14,046	-	14,046
Net pension liability	(27,003)	-	(27,003)
Accounts payable	6,879	(2,134)	4,745
Accrued liabilities and compensated absences	(7,928)	860	(7,068)
Estimated Medicare/Medicaid settlements	5,977	5,042	11,019
Asserted and unasserted self-insurance claims	(264)	1,699	1,435
Medical claims incurred but not reported	(13,550)	-	(13,550)
Total adjustments	38,473	97,575	136,048
Net cash provided by (used in) operating activities	$ (114,544)	$ 317,200	$ 202,656
Noncash investing, capital and financing activities:			
Deferred compensation payouts from investments	$ 342	$ -	$ 342
Purchase of capital assets included in accounts payable	-	675	675
Transfers of capital assets and non-cash items from governmental activities	7,174	-	7,174
Loss on disposal of capital assets	(5,756)	-	(5,756)
Unrealized gain on investments, net	1,873	-	1,873

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

Financial Reporting Entity

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

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

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

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

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

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

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

Component Units

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

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

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

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide and Fund Financial Statements

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

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

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

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

As mentioned previously, the Corporation has two enterprise funds: (1) the Eskenazi Health Enterprise Fund, which accounts for the activities of Eskenazi Health (including Indianapolis EMS) and (2) the Long-Term Care Enterprise Fund, which accounts for the activities of the 78 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Eskenazi Health and Long-Term Care are accounted for by the General Fund. Because the debt that has been incurred on behalf of Eskenazi Health is to be repaid from General Fund revenues, long-term debt interest expense relating to Eskenazi Health is accounted for by the Debt Service Fund and is not allocated to the Eskenazi Health Enterprise Fund. Only debt intended to be repaid by operations of Eskenazi Health are included in the Eskenazi Health Enterprise Fund. At December 31, 2019, no such debt existed. At December 31, 2019, the Long-Term Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the Long-Term Care Enterprise Fund.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Adoption of GASB Statement No. 84

During fiscal year 2019, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement clarifies whether a state or local government, including any business-type activities (BTAs) included with the government, have a fiduciary responsibility. Criteria for identifying activities a government should report as fiduciary focuses on whether the government is controlling the assets and nature of the asset's beneficiaries. Activities meeting the criteria should be reported in one of four fiduciary fund types in the government's financial statements, with an exception for BTAs expecting to hold custodial fund assets for three or less months. Adoption of this standard resulted in no fiduciary activities for the Corporation to be reported within the accompanying financial statements.

Adoption of GASB Statement No. 88

During fiscal year 2019, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. Adoption of this standard resulted in no changes to the disclosures presented by the Corporation.

Cash, Cash Equivalents and Investments

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

Investments for the Corporation are reported at fair value.

Receivables and Payables

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

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

Inventories

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

Prepaid Costs and Other Assets

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

Capital Assets

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

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

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

Estimated useful lives used to compute depreciation are as follows:

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

Other Long-Term Assets

Other long-term assets consist of a settlement agreement receivable as more fully described in Note 19 as well as deposits made related to the leasing of nursing homes required under vendor contracts as well as funds required under escrow agreements for certain leased facilities.

Unearned Revenue

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

Accrued Compensated Absences

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

Long-Term Obligations

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

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

Lease Acquisition Costs

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

Cost-Sharing Defined-Benefit Pension Plan

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

Postemployment Benefits Other Than Pensions (OPEB)

The Corporation has a single-employer defined benefit other postemployment benefit (OPEB) plan, Postemployment Medical Benefits Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. During 2019, this plan was terminated and the remaining liability and deferrals were written off as a special item.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Corporation that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

Interfund Transactions

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

Transfers

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

Contribution of Capital Assets

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

Interfund Services Provided/Used

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

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

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

Net Position/Fund Balances

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

- *Net investment in capital assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Governmental activities debt related to business-type activities is not recorded in this category; rather, this debt is included in unrestricted net position.

- *Restricted* - This category represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This category represents resources of the Corporation not restricted for any project or other purpose.

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

- **Nonspendable fund balances** include amounts that cannot be spent because they are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balances** are reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balances** represent resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Trustees, whereby such constraints can only be modified through formal action (by ordinance) of the Board of Trustees.
- **Assigned fund balances** include resources for which it is the intent of the Corporation, through action of the President or Treasurer/CFO, that they be used for specific purposes. The Board of Trustees has by ordinance authorized such individuals to assign fund balances. Such constraints can be modified or rescinded without formal action of the Board of Trustees as long as they do not result in an additional budgetary appropriation. The general fund assigned fund balances are entirely made up of encumbrances.
- **Unassigned fund balances** represent the residual portion of the General Fund that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance, if other governmental funds incurred expenditures for specific purposes that exceed the amounts that are restricted, committed or assigned for those purposes, those funds may have a negative unassigned fund balance.

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

(Dollars in thousands)

Total encumbrances found in the restricted and assigned fund balances are as follows for the Corporation as December 31, 2019:

	General Fund	Capital Project Fund
Personal services	$ 54	$ -
Supplies	704	-
Other charges and services	15,942	-
Capital projects	466	1,350
Total encumbrances	$ 17,166	$ 1,350

Indigent Care Services

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

Eskenazi Health maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges forgone for services and supplies furnished under its indigent care policy. The costs of charity care provided under the Corporation's indigent care policy was approximately $105,577 during 2019. The cost of indigent care is estimated by applying a ratio of cost to gross charges to the gross uncompensated charges.

Net Patient Service Revenue

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

Use of Estimates

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

Subsequent Events

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced. Subsequent to year-end, the worldwide spread of COVID-19 began to cause some business disruption throughout the United States as local governments implemented orders to reduce non-essential business operations and advised citizens to shelter-in place. The Corporation has continued to operate as an essential healthcare provider and experienced declines in volumes related to elective procedure cancellations, lower outpatient visits and impacts to volumes of long-term care operations.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the magnitude and duration. The Corporation expects this matter to negatively impact its financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In 2020, the Corporation received approximately $112,727 in funding through the Public Health and Social Services Emergency Fund as authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was made available to prevent, prepare for and respond to the coronavirus and reimburse providers for eligible expenses and lost revenues.

Future Adoption of New Accounting Standards

GASB has issued Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*; GASB Statements No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. In addition, GASB recently issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delays implementation of most of the previous standards mentioned. The Corporation intends to adopt these GASB Statements, as applicable, on their respective effective dates.

(Dollars in thousands)

Note 2: Deposits and Investments

As of December 31, 2019, the Corporation, including its blended component units, had the following cash deposits and investments:

Cash deposits	$	454,604
Negotiable certificates of deposit		1,623
Repurchase agreements		33,238
State external investment pool		168,775
U.S. Government obligations		105,426
U.S. Government-sponsored enterprises		5
Equity mutual funds		8,352
Equity securities		3,857
Corporate bonds		229
Money market mutual funds		100,607
Total deposits and investments	$	876,716

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

		2019
Carrying value		
Deposits	$	454,604
Investments		422,112
	$	876,716
Cash and cash equivalents		
Unrestricted	$	744,379
Restricted		12,674
		757,053
Investments		
Unrestricted		111,311
Restricted		8,352
	$	876,716

Deposits

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

(Dollars in thousands)

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

Types of Investments Authorized

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Corporation's investment policy for interest rate risk requires amounts to be invested in a prudent manner to achieve maximum yield return available from approved government obligations with due regard to the specific purpose for which the funds are intended and needed. In regard to mitigating interest rate risk, the Corporation is permitted to invest in securities with a stated maturity of more than two years but not more than five years, provided such investments in this group comprise no more than 25% of the total portfolio available for investment. In accordance with Indiana statutes, this policy will expire four years from its effective date of April 16, 2019.

Below is a table of segmented time distribution for the Corporation's debt investments at December 31, 2019:

		Investment Activities (in years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	$ 33,238	$ 33,238	$ -	$ -	$ -
State external investment pool	168,775	168,775	-	-	-
U.S. Government obligations	105,426	82,472	22,954	-	-
U.S. Government-sponsored enterprises	5	5	-	-	-
Corporate bonds	229	229	-	-	-
Money market mutual funds	100,607	100,607	-	-	-
	$ 408,280	$ 385,326	$ 22,954	$ -	$ -

(Dollars in thousands)

Credit Risk

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

At December 31, 2019, the Corporation's investments were rated by Standard & Poor's or Moody's as follows:

	Fair Value	AAA/Aaa	Not Rated
Repurchase agreements	$ 33,238	$ 33,238	$ -
State external investment pool	168,775	-	168,775
U.S. Government obligations	105,426	105,426	-
U.S. Government-sponsored enterprises	5	5	-
Corporate bonds	229	-	229
Money market mutual funds	100,607	100,607	-
	$ 408,280	$ 239,276	$ 169,004

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2019, all of the Corporation's investments in U.S. Government-sponsored enterprises, repurchase agreements and corporate bonds were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent but not in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2019, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk

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

Foreign Currency Risk

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

Investment Income

Investment income for the year ended December 31, 2019 consisted of:

	Governmental Fund-Types	Proprietary Fund-Types
Interest income	$ 8,980	$ 4,308
Unrealized gain/(loss) on investments, net	(1)	1,873
Total investment income	$ 8,979	$ 6,181

Note 3: Disclosures About Fair Value of Assets

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

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

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

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

(Dollars in thousands)

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

		Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV(A)
Negotiable certificates of deposit	$ 1,623	$ -	$ 1,623	$ -	$ -
Repurchase agreements	33,238	-	33,238	-	-
State external investment pools	168,775	-	-	-	168,775
U.S. Government obligations	105,426	-	105,426	-	-
U.S. Government-sponsored enterprise securities	5	-	5	-	-
Equity mutual funds	8,352	8,352	-	-	-
Equity securities	3,857	3,857	-	-	-
Corporate bonds	229	-	229	-	-
Money market mutual funds	100,607	-	-	-	100,607

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

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

Investments

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

Investments at NAV

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

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

Note 4: Property Taxes

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

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

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

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

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

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

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

Note 5: Tax Abatements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact of Abatements on Revenues

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

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

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

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

The estimated gross amount, on an accrual basis, by which the Corporation's property tax revenues were reduced as a result of the aforementioned City abatement programs totaled approximately $1,337. However, the actual extent of lost revenues is something less than this amount and cannot be easily determined due to the application of circuit breaker credits.

(Dollars in thousands)

Note 6: Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2019:

	Eskenazi Health	LT Care	Total
Gross patient services receivables	$ 349,266	$ 68,125	$ 417,391
Allowance for estimated contractual adjustment	(91,382)	-	(91,382)
Allowance for uncollectible accounts	(185,791)	(7,481)	(193,272)
Net patient services receivables	$ 72,093	$ 60,644	$ 132,737

Note 7: Interfund Balances and Transfers

Individual due to/from other funds as of December 31, 2019 are as follows:

Interfund Receivables	Interfund Payables	Amount
General Fund	Debt Service Fund	$ 5,104
General Fund	Eskenazi Health Fund	3,683
General Fund	LT Care Fund	196,359

These interfund balances are due to the time lag between the dates that reimbursable expenditures occur and payments between funds are made, as well as pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2020.

Interfund transfers for the year ended December 31, 2019 on the fund statements consisted of the following:

	Transfer In:				
	General Fund	Debt Service Fund	Cap Projects Fund	Enterprise Fund - Eskenazi Health	Total
Transfer out:					
General Fund	$ -	$ 40,856	$ 15,000	$ 117,284	$ 173,140
Debt Service Fund	-	-	211	-	211
LT Care Fund	196,359	-	-	-	196,359
Governmental Activities	-	-	-	7,174	7,174
Total	$ 196,359	$ 40,856	$ 15,211	$ 124,458	$ 376,884

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

(Dollars in thousands)

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

Deferred Outflows of Resources

As of December 31, 2019, deferred outflows of resources consisted of the following components:

	Governmental Activities	Business-Type Activities	Total
Deferred loss on refundings	$ 280	$ -	$ 280
Pension related deferred outflows:			
Contributions subsequent to measurement date	2,635	7,448	10,083
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	572	137	709
Actuarial differences	766	2,189	2,955
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes of assumptions	7	19	26
Total deferred outflows of resources	$ 4,260	$ 9,793	$ 14,053

Deferred Inflows of Resources

As of December 31, 2019, deferred inflows of resources consisted of the following components:

	Governmental Activities	Business-Type Activities	Total
Pension related deferred inflows:			
Changes in proportion	$ 49	$ 22,241	$ 22,290
Actuarial differences	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,367	3,908	5,275
Changes of assumptions	3,144	8,988	12,132
Total deferred inflows of resources	$ 4,560	$ 35,137	$ 39,697

(Dollars in thousands)

Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period or for which time requirements have not been met. Governmental funds also record unearned revenue in connection with resources that have been received but not yet earned. At December 31, 2019, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows	Unearned
Grant advances prior to meeting all eligibility requirements	$ -	$ 865
Rental revenue received in advance	-	169
Grant reimbursements not received within 90 days	282	-
Other revenues not received within 90 days	35,476	-
Total Governmental Funds	$ 35,758	$ 1,034

In addition, the Eskenazi Health Enterprise Fund had $267 of unearned revenue recorded at December 31, 2019 which related to both fee for service grants and advances received on federal grants that had not met eligibility requirements.

(Dollars in thousands)

Note 9: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2019:

	January 1, 2019	Transfers/ Additions	Transfers/ Disposals	December 31, 2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 4,095	$ 126	$ (2,088)	$ 2,133
Construction in progress	6,504	22,627	(10,219)	18,912
Total capital assets not being depreciated	10,599	22,753	(12,307)	21,045
Capital assets being depreciated:				
Buildings and improvements	31,026	3,153	-	34,179
Equipment	26,834	3,042	-	29,876
Vehicles	6,477	716	(230)	6,963
Total capital assets being depreciated	64,337	6,911	(230)	71,018
Less accumulated depreciation for:				
Buildings and improvements	19,838	1,248	-	21,086
Equipment	21,940	1,396	-	23,336
Vehicles	5,385	449	(230)	5,604
Total accumulated depreciation	47,163	3,093	(230)	50,026
Total capital assets being depreciated, net	17,174	3,818	-	20,992
Governmental activities capital assets, net	$ 27,773	$ 26,571	$ (12,307)	$ 42,037

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2019:

	January 1, 2019	Transfers/ Additions	Transfers/ Disposals	December 31, 2019
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 11,623	$ -	$ (1,925)	$ 9,698
Construction in progress	20,069	29,433	(21,510)	27,992
Total capital assets not being depreciated	31,692	29,433	(23,435)	37,690
Capital assets being depreciated:				
Land improvements	88,424	2,109	(325)	90,208
Buildings and improvements	1,520,299	16,253	(16,864)	1,519,688
Equipment	341,347	17,257	(61,278)	297,326
Vehicles	11,864	1,669	(7,224)	6,309
Total capital assets being depreciated	1,961,934	37,288	(85,691)	1,913,531
Less accumulated depreciation for:				
Land improvements	32,280	6,931	(321)	38,890
Buildings and improvements	714,819	98,452	(11,104)	802,167
Equipment	209,404	34,505	(60,941)	182,968
Vehicles	10,145	995	(7,203)	3,937
Total accumulated depreciation	966,648	140,883	(79,569)	1,027,962
Total capital assets being depreciated, net	995,286	(103,595)	(6,122)	885,569
Business-type activities capital assets, net	$ 1,026,978	$ (74,162)	$ (29,557)	$ 923,259

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Notes to Basic Financial Statements
December 31, 2019
(Dollars in thousands)

The following is a summary of changes in capital assets - Eskenazi Health Enterprise Fund for the year ended December 31, 2019:

	January 1, 2019	Transfers/ Additions	Transfers/ Disposals	December 31, 2019
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 11,623	$ -	$ (1,925)	$ 9,698
Construction in progress	18,863	20,801	(12,876)	26,788
Total capital assets not being depreciated	30,486	20,801	(14,801)	36,486
Capital assets being depreciated:				
Land improvements	77,420	665	(325)	77,760
Buildings and improvements	678,424	7,886	(16,864)	669,446
Equipment	260,628	10,406	(61,278)	209,756
Vehicles	11,812	1,669	(7,224)	6,257
Total capital assets being depreciated	1,028,284	20,626	(85,691)	963,219
Less accumulated depreciation for:				
Land improvements	27,025	5,906	(321)	32,610
Buildings and improvements	184,718	31,032	(11,104)	204,646
Equipment	156,785	23,192	(60,941)	119,036
Vehicles	10,105	990	(7,203)	3,892
Total accumulated depreciation	378,633	61,120	(79,569)	360,184
Total capital assets being depreciated, net	649,651	(40,494)	(6,122)	603,035
Business-type activities capital assets, net	$ 680,137	$ (19,693)	$ (20,923)	$ 639,521

The following is a summary of changes in capital assets - Long-Term Care Enterprise Fund for the year ended December 31, 2019:

	January 1, 2019	Transfers/ Additions	Transfers/ Disposals	December 31, 2019
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	$ 1,206	$ 8,632	$ (8,634)	$ 1,204
Total capital assets not being depreciated	1,206	8,632	(8,634)	1,204
Capital assets being depreciated:				
Land improvements	11,004	1,444	-	12,448
Buildings and improvements	841,875	8,367	-	850,242
Equipment	80,719	6,851	-	87,570
Vehicles	52	-	-	52
Total capital assets being depreciated	933,650	16,662	-	950,312
Less accumulated depreciation for:				
Land improvements	5,255	1,025	-	6,280
Buildings and improvements	530,101	67,420	-	597,521
Equipment	52,619	11,313	-	63,932
Vehicles	40	5	-	45
Total accumulated depreciation	588,015	79,763	-	667,778
Total capital assets being depreciated, net	345,635	(63,101)	-	282,534
Business-type activities capital assets, net	$ 346,841	$ (54,469)	$ (8,634)	$ 283,738

(Dollars in thousands)

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

Governmental Activities:		
Administration and finance	$	2,177
Health improvements		506
Communicable disease prevention		126
Water quality and hazardous material management		43
Vector disease control		194
Housing and neighborhood health		38
Consumer and employee risk reduction		9
Total depreciation expense, governmental activities	$	3,093
Business-Type Activities:		
Eskenazi Health	$	61,120
LT Care		79,763
Total depreciation expense, business-type activities	$	140,883

Also included in the Long-Term Care Fund in the proprietary fund statements is $3,738 of amortization expense related to lease acquisition costs.

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

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Eskenazi Health after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2019, the Medicare and Medicaid cost reports for Eskenazi Health have been audited by the fiscal intermediaries through December 31, 2015.

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

Medicare

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

Under the Medicare program, Long-Term Care primarily receives reimbursement for services provided at its skilled nursing facilities (SNF) under PPS on a per diem basis based on each resident's health at admission (RUG Rate) through September 30, 2019. Effective October 1, 2019, Long-Term Care is reimbursed under the Patient Driven Payment Model (PDPM), which is a new case-mix classification model that supersedes historical RUG reimbursement. Medicare reimburses Long-Term Care for 100 days of SNF care subject to certain eligibility requirements.

In connection with the July 1, 2015 acquisition of the 17 nursing facilities described more fully in Note 20, the Corporation assumed responsibility for a Corporate Integrity Agreement (CIA) with the Office of the Inspector General. The CIA requires monitoring and reporting of certain conditions of payment from the Medicare program. In the event of noncompliance with the CIA, the Corporation could have to repay certain Medicare reimbursement to the Medicare program. The CIA expired in October 2019 after being adhered to by the Corporation.

Medicaid

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

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

Medicaid Special Revenue

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

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

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

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

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

(Dollars in thousands)

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

The General Fund recognized $63,701 in Medicaid special revenue and a receivable of $32,242 at December 31, 2019. The intergovernmental transfers made by the Corporation in 2019 under these programs totaled $81,302, with $18,728 accrued within accounts payable in the general fund as of December 31, 2019. The Long-Term Care Fund recognized revenue of $251,916 and a receivable of $66,036 at December 31, 2019.

Other Payers

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

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2019:

	Eskenazi Health	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 984,810	$ -	$ 984,810	32%
Outpatient	1,307,514	-	1,307,514	44%
Long-term care	-	711,393	711,393	24%
Gross patient service less:	2,292,324	711,393	3,003,717	100%
Contractual adjustments	1,349,957	-	1,349,957	45%
Charity and indigent care	247,523	-	247,523	8%
Provision for uncollectible accounts	146,258	15,677	161,935	5%
Net patient service revenue	$ 548,586	$ 695,716	$ 1,244,302	42%

Revenue from the Medicare and Medicaid programs accounted for approximately 27% and 54%, respectively, of net patient service revenue for fiscal year 2019. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2019 net patient service revenue increased approximately $816 due to changes in estimates related to final settlement of Medicare cost reports and accounts receivable valuation. Eskenazi Health Corporate Compliance and Leadership review billing, site, licensure and other issues to ensure compliance with Federal, State and other regulations.

Note 11: Long-Term Liabilities

Renovation Bonds of 1988

During 1988, the Corporation issued $28,000 of Renovation Bonds, the proceeds of which were used to renovate the clinical, patient care and administrative areas of the Corporation's former hospital complex (the predecessor facilities to Eskenazi Health) and acquire, construct, renovate and equip the Corporation's public health and administrative facilities. The Renovation Bonds of 1988 are general obligation bonds payable from an unlimited ad valorem property tax levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana, which is coterminous with Marion County, Indiana. The Renovation Bonds of 1988 were paid in full during 2019.

General Obligation Bonds of 2005

During 2005, the Corporation issued $28,960 of General Obligation Refunding Bonds, Series 2005 (the 2005 GO Bonds), the proceeds of which were used to refund the outstanding principal of the Corporation's General Obligation Bonds, Series 2000A. The 2005 GO Bonds are payable from an unlimited ad valorem property tax levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana, which is coterminous with Marion County, Indiana. The 2005 GO Bonds that remain outstanding at December 31, 2019 bear interest at 4.50% to 5.25%, with principal and interest payments due January 1 and July 1 through January 1, 2025. The remaining 2005 GO Bonds are subject to redemption from mandatory sinking fund payments during 2019 to 2024 and are subject to optional redemption prior to maturity at par plus accrued interest to the redemption date.

General Obligation Bonds of 2010

During 2010, the Corporation issued $195,000 of General Obligation Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 GO Bonds, or collectively, the 2010A GO Bonds), the proceeds of which were used to finance a portion of the Eskenazi Health hospital complex, including the hospital and outpatient clinic facilities. The 2010A GO Bonds are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the annual debt service. The 2010A GO Bonds that remain outstanding at December 31, 2019 bear interest at 5.00% to 6.004%, with principal and interest payments due January 15 and July 15 through January 15, 2040. The 2010A GO Bonds are subject to redemption from mandatory sinking fund payments during 2023 to 2040 and the 2010A GO Bonds maturing on or after January 15, 2021 are subject to optional redemption prior to maturity beginning January 15, 2020 at par plus accrued interest to the redemption date.

The 2010A GO Bonds were acquired in their entirety with proceeds from the issuance of The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) Bonds, Series 2010A-1 and 2010A-2 (the 2010A-1 and 2010A-2 Bond Bank Bonds). The 2010A-2 Bond Bank Bonds were issued as Build America Bonds (BABs) and, as such, are eligible to receive a credit (BAB Subsidy) equal to 35% of the interest payable on such bonds. The benefit of such credit will be passed on to the Corporation at each interest payment date, thus effectively reducing the Corporation's cost of financing. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011 (the BAB Sequester), BAB Subsidies for the October 2018 through September 2019 were reduced by 6.2% and BAB Subsidies for the October 2019 through September 2020 are to be reduced by 5.9%. It is too soon to predict if BAB Subsidies will continue to be cut thereafter, or if the United States Congress will rescind or otherwise alter such cuts.

Capital Lease Obligations of Governmental Activities

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

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

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

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

(Dollars in thousands)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2019:

	January 1, 2019	Additions	Reductions	December 31, 2019	Due Within One Year
Governmental Activities:					
General obligation bonds payable:					
Renovation Bonds of 1988 ($28,000,000 original amount), 6.00% to 7.40%, due January 1, 2020	$ 2,195	$ -	$ (2,195)	$ -	$ -
Refunding Bonds of 2005 ($28,960,000 original amount), 3.50% to 5.25%, due January 1, 2025	12,195	-	(1,785)	10,410	1,875
General Obligation Bonds of 2010 - Series A-1, A-2 ($195,000,000 original amount), 3.00% to 6.004%, due January 15, 2040	163,560	-	(1,460)	162,100	3,855
Plus: bond premium	3,072	-	(184)	2,888	184
Total bonds payable	181,022	-	(5,624)	175,398	5,914
Capital lease obligations	432,867	-	(11,816)	421,051	12,597
Asserted and unasserted self-insurance claims	1,117	7,450	(7,578)	989	447
Accrued compensated absences	7,541	5,590	(5,316)	7,815	6,371
Net pension liability	29,267	4,691	(5,040)	28,918	-
Other postemployment benefit liability	3,820	-	(3,820)	-	-
Governmental activities long-term liabilities	$ 655,634	$ 17,731	$ (39,194)	$ 634,171	$ 25,329
Business-Type Activities:					
Eskenazi Health:					
Asserted and unasserted self-insurance claims	$ 10,371	$ 46,464	$ (46,732)	$ 10,103	$ 7,091
Accrued compensated absences	23,278	25,849	(25,569)	23,558	18,585
Net pension liability	109,685	-	(27,002)	82,683	-
Other postemployment benefit liability	12,488		(12,488)	-	-
Deferred compensation	6,320	2,375	(343)	8,352	-
LT Care:					
Capital lease obligations	327,445	-	(66,562)	260,883	73,047
Asserted and unasserted self-insurance claims	18,570	4,847	(3,148)	20,269	6,398
Business-type activities long-term liabilities	$ 508,157	$ 79,535	$ (181,844)	$ 405,848	$ 105,121

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

(Dollars in thousands)

The governmental activities debt service requirements, including interest, on bonds and related future BAB subsidies as of December 31, 2019 are as follows:

	Principal	Interest	BAB Subsidies
Bonds:			
2020	$ 5,730	$ 10,067	$ 3,014
2021	6,020	9,775	3,014
2022	6,330	9,467	3,014
2023	6,600	9,112	3,014
2024	6,870	8,751	2,932
2025 - 2029	38,410	37,699	13,044
2030 - 2034	46,380	25,429	9,224
2035 - 2039	56,170	10,375	4,710
	$ 172,510	$ 120,675	$ 41,966

The above future BAB Subsidies reflect an assumed reduction for the BAB Sequester adjustment in effect at December 31, 2019.

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2019, is as follows:

Net assessed value - 2019	$ 40,967,917
	0.67%
Debt limit	274,485
Debt applicable to debt limit:	
Bonded debt (excluding unamortized premiums)	172,510
Legal debt margin	$ 101,975

As mentioned previously, in 2005, the Corporation refunded its 2000A GO Bonds with the issuance of the 2005 GO Bonds. The 2000A GO Bonds are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2019, $9,980 of these defeased bonds remain outstanding.

(Dollars in thousands)

Note 12: Leases

Operating

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

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2019 for the governmental activities:

2020	$ 8,188
2021	8,000
2022	7,927
2023	7,995
2024	7,670
2025 - 2029	36,407
2030 - 2034	37,757
2035 - 2039	40,683
2040 - 2043	33,011
Total future minimum payments	$ 187,638

Lease expenditures of $7,779 were reported in the governmental activities for the year ended December 31, 2019.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2019 for the business-type activities:

2020	$ 4,926
2021	3,859
2022	2,719
2023	2,087
2024	2,013
2025 - 2029	8,494
2030 - 2034	8,795
2035 - 2039	9,235
2040 - 2043	7,183
Total future minimum payments	$ 49,311

The Corporation reported $7,220 of lease expense in the business-type activities for the year ended December 31, 2019.

(Dollars in thousands)

Capital

The Corporation's governmental activities include capital leases for a data center reported in the governmental activities and the Eskenazi Health hospital complex reported in the Eskenazi Health Enterprise Fund. At December 31, 2019, the gross amount of building improvements, equipment and related accumulated amortization recorded under these capital leases was as follows:

Building and land improvements	$	278,891
Equipment		204,831
Less: accumulated amortization		(168,894)
	$	314,828

Future minimum capital lease payments for the Corporation's governmental activities as of December 31, 2019 are:

2020	$	39,935
2021		39,942
2022		39,938
2023		39,936
2024		39,614
2025 - 2029		192,870
2030 - 2034		182,682
2035 - 2039		170,170
2040		32,914
Total minimum lease payments		778,001
Less amount representing interest (6.45%)		356,950
Present value of net minimum capital lease payment		421,051
Less current installments of obligations under capital leases		12,597
Obligations under capital lease, excluding current installments	$	408,454

For business-type activities, including the Long-Term Care Enterprise Fund, the Corporation is obligated under capital leases covering 78 nursing homes. At December 31, 2019, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$	674,498
Less: accumulated amortization		(502,132)
	$	172,366

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

(Dollars in thousands)

Future minimum capital lease payments for the Corporation's business-type activities as of December 31, 2019 are:

2020	$ 91,797
2021	93,479
2022	61,240
2023	20,808
2024	20,903
2025 - 2026	11,227
Total minimum lease payments	299,454
Less amount representing interest (at rates ranging from 4.58% to 11.74%)	38,571
Present value of net minimum capital lease payment	260,883
Less current installments of obligations under capital leases	73,047
Obligations under capital lease, excluding current installments	$ 187,836

Note 13: Risk Management

Insurance Coverage

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

Eskenazi Health is governed by the Indiana Medical Malpractice Act, which, effective July 1, 2019, limits the maximum recovery for medical malpractice claims to $1,800 per occurrence, $500 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund. Prior to this date, the limit was $1,650 per occurrence with $400 being paid by the Corporation.

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

(Dollars in thousands)

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

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

Balance at January 1, 2018	$	23,080
Change in incurred claims (including IBNRs), net		3,837
Claim payments		(3,691)
Balance at January 1, 2019		23,226
Change in incurred claims (including IBNRs), net		5,124
Claim payments		(3,472)
Balance at December 31, 2019	$	24,878

Medical Claims Incurred But Not Reported

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

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

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Eskenazi Health for amounts that are unpaid at December 31, 2019. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Eskenazi Health and gives effect to estimates of trends in claim severity and frequency. Although management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Eskenazi Health Enterprise Fund. Historically, the majority of these claims are paid within one year following year-end, so the entire balance is being reflected in current liabilities in the statement of net position.

(Dollars in thousands)

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

Balance at January 1, 2018	$	13,887
Change in incurred claims (including IBNRs), net		126,970
Claim payments		(126,777)
Balance at January 1, 2019		14,080
Change in incurred claims (including IBNRs), net		2,549
Claim payments		(16,099)
Balance at December 31, 2019	$	530

Health Insurance Coverage

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage. Asserted and unasserted self-insurance claims in the governmental and business-type activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2019. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims.

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

Balance at January 1, 2018	$	1,112
Change in incurred claims (including IBNRs), net		9,240
Claim payments		(9,235)
Balance at January 1, 2019		1,117
Change in incurred claims (including IBNRs), net		7,450
Claim payments		(7,578)
Balance at December 31, 2019	$	989

The amount recorded as a liability in the General Fund at December 31, 2019 is $447 and represents the claims, which are matured and due as of year-end.

(Dollars in thousands)

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

Balance at January 1, 2018	$ 4,223
Change in incurred claims (including IBNRs), net	43,138
Claim payments	(41,646)
Balance at January 1, 2019	5,715
Change in incurred claims (including IBNRs), net	46,187
Claim payments	(46,408)
Balance at December 31, 2019	$ 5,494

Note 14: Retirement Plans

Plan Description

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

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

There are two tiers to the PERF plan. The first is the Public Employee's Defined Benefit Plan ("PERF Hybrid Plan") and the second is the My Choice: Retirement Savings Plan for Public Employees ("My Choice"). During 2019, the Corporation did not participate in the My Choice Plan.

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC5-10.3, and IC 5-10.5. There are two aspects to the PERF Hybrid Plan defined-benefit structure. The first portion is PERF DB, the monthly defined-benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Public Employees' Hybrid Members Defined Contribution Account ("DC Account"), formerly known as the Annuity Savings Account ("ASA"), which supplements the defined-benefit at retirement.

Funding Policy

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

The employer defined-benefit contribution rate is based on an actuarial valuation and is adopted, and may be amended, by the INPRS Board. For 2019, the Corporation contributed 11.2% of employee compensation to the plan. The DC Account consists of the employee contribution, which is set by statute at 3% of compensation, as defined by Indiana statutes, plus the interest/earnings or losses credited to the employee's account. The employer may choose to make the contributions on behalf of its participating employees, which the Corporation has elected to do. In addition, under certain circumstances, employees may elect to make additional voluntary contributions of up to 10% of their compensation into their DC Account. An employee's contribution and interest credits belong to the employee and do not belong to the state or the Corporation.

Retirement Benefits

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

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

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

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

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

Disability and Survivor Benefits

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

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

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

Contributions

Employer contribution rates are adopted annually by the INPRS Board for PERF. The contributions are actuarially determined based on the funding policy, actuarial assumptions and actuarial methods established by the INPRS Board. Contributions determined by the actuarial valuation become effective either 12 or 18 months after the valuation date, depending on the applicable employer. In the case of the Corporation, contribution rates and amounts determined by the June 30, 2018 actuarial valuation and adopted by the INPRS Board therefore become effective on January 1, 2019. The Corporation's contractually required contribution rate for 2019 was 11.2% of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Corporation's contribution to the plan for the year ended December 31, 2019, exclusive of employer-paid member contributions, was $19,173, equal to the approved employer contribution and 11.2% of covered payroll for the year.

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

At December 31, 2019, the Corporation reported a liability of $111,601 for its proportionate share of PERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Member census data as of June 30, 2018, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date. Wages reported by the Corporation relative to the collective wages of the plan served as the basis to determine the Corporation's proportionate share. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2019, the Corporation's proportion was 3.38%, which was a decrease of 0.71% from its proportion measured as of June 30, 2018.

(Dollars in thousands)

For the year ended December 31, 2019, the Corporation recognized pension expense of $5,290, which is comprised of $4,880 related to governmental activities and $410 related to business-type activities. At December 31, 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial differences	$ 2,955	$ -
Net difference between projected and actual earnings on pension plan investments	-	5,275
Changes of assumptions	26	12,132
Changes in proportion and differences between the Corporation's contributions and proportionate share contributions	709	22,290
Corporation's contributions subsequent to the measurement date	10,083	-
	$ 13,773	$ 39,697

At December 31, 2019, the Corporation reported $2,635 in the governmental activities and $7,448 in the business-type activities as deferred outflows of resources related to Corporation contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as net deferred outflows of resources at December 31, 2019, related to pensions will be recognized in pension expense (reduction) as follows:

	Governmental Activities	Business-Type Activities	Total
2020	$ (894)	$ (11,429)	$ (12,323)
2021	(1,884)	(13,717)	(15,601)
2022	(331)	(7,343)	(7,674)
2023	(106)	(303)	(409)
	$ (3,215)	$ (32,792)	$ (36,007)

(Dollars in thousands)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.5% - 4.25% average, including inflation
Ad hoc cost of living adjustments	Varies per year as follows: 2020 and 2021 - 13th check 2022 through 2033 - 0.40% 2034 through 2038 - 0.50% 2039 and on - 0.60%
Long-term expected rate of return	6.75%, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study performed for the period June 30, 2010 through June 30, 2014.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22%	4.9%
Private markets	14%	7.0%
Fixed income - ex inflation linked	20%	2.5%
Fixed income - inflation linked	7%	1.3%
Commodities	8%	2.0%
Real estate	7%	6.7%
Absolute return	10%	2.9%
Risk parity	12%	5.3%
	100%	

(Dollars in thousands)

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for the year ended June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the PERF's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Corporation's proportionate share of PERF's net pension liability:			
Governmental activities	$ 46,443	$ 28,918	$ 14,301
Business-type activities	132,790	82,683	40,890
Total	$ 179,233	$ 111,601	$ 55,191

Pension Plan Fiduciary Net Position

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

Defined-Contribution Retirement Plan

The Corporation also contributes to the Health and Hospital Corporation of Marion County Retirement Plan, a defined-contribution retirement plan covering Eskenazi Health employees hired after June 30, 2014. The plan is administered by the Plan Committee of the Retirement Plan (Plan Committee), as appointed by the President and Chief Executive Officer of the Corporation. Retirement plan expense is recorded for the amount of the Corporation's required contributions, determined in accordance with the terms of the plan. Benefit and contribution provisions are contained in the plan document and were established and can be amended by action of the Plan Committee or the Corporation's governing body. The Corporation does not hold or control the assets of the defined-contribution plan as defined by GASB Statement, No. 84, *Fiduciary Activities*. The Corporation contributes 3% of eligible employee's compensation. Additionally, the Corporation contributes to the plan an amount equal to each eligible employee's contributions into their deferred compensation plan up to 4% of the employee's compensation. During 2019, the Corporation contributed $4,591 into the defined-contribution retirement plan.

Note 15: Other Postemployment Benefit Plan

Plan Description

The Corporation provides benefits through the Corporation's Postemployment Medical Benefits Plan (the OPEB Plan), which is a single-employer defined benefit other postemployment benefit (OPEB) plan administered by the Corporation. The plan provides reimbursement for medical benefits to eligible retirees and their spouses and dependents. For Eskenazi Health, retirees must be at least age 55 years old with at least 20 years of service. For MCPHD, retirees must meet the same requirements as Eskenazi Health, but also must have 10 of the 20 years of service immediately preceding retirement and 15 years of participation in the PERF plan. All benefits cease when the employee reaches the age of 65. Benefits are provided upon the retiree's date of retirement if they chose to participate. The retiree is responsible for all premium costs associated with the medical coverage. Payments of claims on behalf of retirees are made as incurred. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue separate financial statements.

Benefits Provided

The OPEB Plan provides medical benefits to all eligible retirees and their spouses and dependents hired by Eskenazi Health and MCPHD. Benefits are provided through a third-party insurer, and the cost of the benefits are paid fully by the retiree. The cost per month to the retiree varies based on the type of coverage they are needing until the age of 65 when the retiree becomes eligible for Medicare and the benefits are terminated. The Corporation covers the service and interest costs of administrating the plan and bears the risk of premiums not being sufficient to cover actual claims paid.

(Dollars in thousands)

Changes in the Total OPEB Liability

Effective December 31, 2019, the Corporation terminated the benefits associated with the OPEB plan. As a result, the remaining OPEB liability and deferred inflow were written off. The total special item – expense recognized from the write off was $17,359, which included $4,042 in the governmental activities and $13,317 in the business-type activities. Changes in the total OPEB liability were:

	Governmental Activities	Business-Type Activities	Total
Balance, beginning of year	$ 3,820	$ 12,488	$ 16,308
Changes for the year:			
Termination of plan	(3,820)	(12,488)	(16,308)
Balance, end of year	$ -	$ -	$ -

Note 16: Deferred Compensation Plans

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

Additionally, EMG has a 457(b) deferred compensation agreement with certain members of management and highly compensated employees. Under the plan, employees may elect to defer a portion of their current compensation to provide for retirement and other benefits of the employee. EMG may credit to the plan each year an amount as defined by EMG's board of directors. The Corporation records a restricted asset on the statement of net position, which is offset by a matching liability. Employer contributions for 2019 were approximately $430.

Note 17: Hospital Management Agreement

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2019, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Eskenazi Health, but the operations of Eskenazi Health remains the direct responsibility of the Corporation. Eskenazi Health incurred fees for professional, management and resident physician services of approximately $54,000 during the year (recorded in medical and professional fees on the statement of revenues, expenses and changes in fund net position - proprietary funds).

Note 18: Long-Term Care Management Agreement

The Corporation has entered into three management agreements with American Senior Communities, LLC (ASC) to manage the 78 nursing homes, which are accounted for in the Long-Term Care Fund. The term of two management agreements extends until August 2022 for 61 of the Corporation's nursing homes. The Corporation has the right to extend the term for an additional period of 10 years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2015, these agreements were to terminate automatically by their terms as a result of the termination by ASC of its then-current Chief Executive Officer, which is more fully described in Note 19. The Corporation and ASC are currently abiding by the terms of these agreements and continue to negotiate in good faith the replacement management agreements.

The term of the third series of management agreement extends coverage to the operation of 17 facilities acquired on July 1, 2015, which is more fully described in Note 19. The original agreements to the acquisition were automatically terminated in September 2015 as a result of the termination by ASC of its then-current Chief Executive Officer. During 2016, the Corporation and ASC entered into new management agreements that extend until June 2025 for these 17 facilities. The Corporation has the right to extend the term for an additional period conterminous with the term of the underlying lease agreements if written notice is given to ASC at least 60 days prior to the expiration of the initial term.

During 2019, the Corporation incurred approximately $35,655 in management fees to ASC under all agreements for Long-Term Care operations. In the event the ASC management agreements are terminated or not renewed, it could have a material impact on the Corporation's financial statements.

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

The Corporation currently leases 7 of the nursing homes from entities related to ASC through common ownership. During 2019, the Corporation paid approximately $21,515 to this organization in associated lease costs from Long-Term Care operating revenue.

At December 31, 2019, the Long-Term Care Fund had a payable to EagleCare of approximately $15,834 primarily for accrued labor and related benefits. The Long-Term Care Fund also had a payable to ASC at December 31, 2019 of approximately $4,922 for outstanding management services rendered to be paid from operations.

Note 19: Federal Investigation

In September 2015, authorities, including federal prosecutors, publicly acknowledged an investigation involving the activities of certain former ASC employees and others as to possible violations of relevant law. The relationship of ASC and the Corporation is more fully described in Note 18. Both the Corporation and ASC fully cooperated with these authorities and their investigation. Concurrent with the federal investigation, the Corporation and ASC conducted their own internal investigations of the individuals' activities and shared this information with the federal authorities. In October 2016, federal authorities filed criminal charges against ASC's former Chief Executive Officer, Chief Operating Officer and others alleging fraudulent conduct in connection with the operation of the nursing facilities, including alleged mail and wire fraud, healthcare fraud, anti-kickback violations and money laundering. The alleged charges focused on the defendants' dealings with various vendors supplying goods and services to the Corporation. Ultimately, by July 2018, all the criminal defendants pled guilty and received prison sentences ranging from four months to nearly 10 years. The three primary victims of the criminal fraud were the Corporation, ASC and Indiana Medicaid. During the sentencing hearings, the federal authorities established that these victims suffered the following losses: the Corporation - $9,889; ASC - $1,568; and Indiana Medicaid - $593. In addition to prison sentences, the defendants were ordered to pay restitution to the victims.

During 2017, the Corporation and ASC entered into a Settlement Agreement and Mutual Release (Settlement Agreement). The Settlement Agreement forever releases and discharges both the Corporation and ASC from any and all claims that could be alleged in connection with claims associated with the investigation and terminates a previously executed indemnification agreement associated with the investigation between ASC and the Corporation. In exchange, ASC agreed to pay the Corporation $15,500 for damages incurred by the Corporation as a result of the fraudulent actions of former employees of ASC and others conspiring with them. As of December 31, 2019, the Corporation general fund recognized an outstanding receivable of $4,297 for the portion not yet received, and revenues of $6,203 with $1,297 as unavailable revenue in deferred inflows of resources. The Settlement Agreement provides for structured payments to satisfy the outstanding balance, as defined in the agreement and is partially secured by a letter of credit benefitting the Corporation.

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

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

Note 20: Nursing Home Leases

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

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

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

Various unrelated third parties serve as the landlords for 71 of the Corporation's nursing facilities. Lease payments to these third parties in 2019 approximated $69,573.

Note 21: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2019, the Corporation received $144,358 in tax cash receipts and $398 in special assessment fees cash receipts from the County for the “Clean and Lien” program to clean up vacant lots. The Corporation paid the County $3,138 in 2019 for autopsy and death reports, vital records, coroner fees and other matters. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2019.

Note 22: Joint Ventures

The Corporation was a 50% member in MDwise, as well as MDwise Medicaid Network, Inc. (Excel) through December 29, 2017, when the Corporation transferred its membership interests in MDwise and Excel to an unrelated third party which resulted in the recognition of a gain of $66,575 within the 2017 statement of activities and statement of revenues, expenses and changes in net position. Included within the membership transfer agreement was a requirement for a portion of the total purchase price to be placed in escrow and distributed to the Corporation (and the other 50% member) over a period of approximately three years from the transfer date. During 2019, $26,252 was distributed from the escrow account to the Corporation. As of December 31, 2019, the remaining balance of $10,088 is held by the Corporation within the Eskenazi Health fund and management expects it to be distributed to the Corporation during 2020 and 2021.

During 2015, the Corporation entered into a joint venture to create MDwise Marketplace, Inc. (Marketplace), which is a not-for-profit corporation that operates as a health maintenance organization and contracts with health care providers. The investment is recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method. The carrying value of this joint venture at December 31, 2019 was $1,028.

The Corporation also entered into a joint venture to create MDwise Network, Inc. (Connect), which was created to supplement the operations of Marketplace. The investments in Marketplace and Connect are recorded in the Eskenazi Health Enterprise Fund and accounted for under the equity method and the Corporation is a 49% member of each. The carrying value of the Connect joint venture at December 31, 2019 was $1,732.

As a result of the transfer of the membership interests in MDwise and Excel, both Marketplace and Connect ceased ongoing operations as of December 31, 2017. Since their operations ceased, remaining activities included payments of certain administrative expenses and amounts to health providers for services prior to January 1, 2018. Both entities were officially dissolved in November 2018 and remaining assets were partially distributed in 2019. Any remaining assets, if any, to be distributed proportionally to the members after the complete wind up and liquidation of the entities affairs.

(Dollars in thousands)

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

The Corporation is a 50% partner in the HHC-HTA, LLC (formerly HHC/Duke Realty Development LLC) (LLC). LLC is a limited liability corporation established by the Corporation and Duke Realty to jointly develop and construct an office building located on the Eskenazi Health Campus. The office building is owned by the LLC. The Corporation owns the land under the building and has leased the land to the LLC for 50 years. The Corporation is expected to be the sole primary lessee of the building for the next 30 years but does have the authority to sublet as it wishes. The lease entered into by the Corporation was effective November 1, 2013 and has an escalation rate of 7.75% every five years. Future minimum lease payments required to be paid under the lease are included within the governmental activities as reported earlier in these notes. The Corporation, as a partner in the LLC, also receives a return on its equity investment equal to 8.25% over the life of the lease. The LLC will continue to own the building at the end of the 30 year lease. However, the Corporation may purchase the building at market value or continue to lease the building from the LLC at the end of the original lease period. The investment in the LLC is recorded in the governmental activities of the statement of net position and is accounted for under the equity method. The carrying value of this joint venture at December 31, 2019 was $36,756. Complete financials for the LLC can be obtained from the Healthcare Trust of America administrative offices at 1300 Hospital Drive, Suite 170, Mount Pleasant, SC 29464.

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

	HHC-HTA, LLC
Current assets	$ 11,952
Property and other long-term assets, net	69,320
Total assets	81,272
Total liabilities	7,761
Members' equity	$ 73,511
Revenues	$ 9,541
Excess of revenues over expenses	$ 5,068

(Dollars in thousands)

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

	Marketplace	Connect
Total assets	$ 5,877	$ 3,699
Total liabilities	3,779	166
Members' equity	$ 2,098	$ 3,533
Excess (deficit) of revenues over expenses	$ (43)	$ 206

Note 23: Explanation of Certain Differences Between Governmental Fund Financial Statements and the Government-Wide Financial Statements

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

Bonds payable (including premium)	$ 175,398
Capital lease obligations	421,051
Asserted and unasserted self-insurance claims	542
Accrued compensated absences	7,815
	$ 604,806

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

(Dollars in thousands)

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

Principal repayments on debt:		
General obligation bonds	$	5,440
Capital leases		11,816
Amortization of bond premium		184
Amortization of deferred loss on refunding		(88)
	$	17,352

Note 24: Concentrations of Credit Risk

Eskenazi Health and Long-Term Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of net patient service receivables from patients and third-party payers at December 31, 2019 is as follows:

Commercial insurance	20%
Medicare	22%
Medicaid	45%
Self-pay	6%
Other	7%
	100%

Note 25: Contingencies

Litigation

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

During 2018, the Corporation was named a defendant in a lawsuit in which plaintiffs alleged inappropriate billing and collection practices related to hospital liens resulting in unjust enrichment to the Corporation, fraud, and breach of contract. The plaintiffs sought class certification on behalf of a class of similarly situated persons. The Corporation and plaintiffs reached a settlement agreement in 2019, which the Corporation had paid as of year-end.

Patient Billing Audit

During 2018, Eskenazi Health was subject to several Compliance Surveillance and Utilization Reviews from the Indiana Family & Social Services Administration. As a result of these reviews, Eskenazi Health received demand letters alleging extrapolated overpayments relating to various programs. Eskenazi Health conducted an in-depth review to determine the validity of each item noted within the reviews and is vigorously defending the results of this review. Based on management's review and advice of legal counsel, management has recognized an estimate of the amount of ultimate expected loss as of December 31, 2019. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Government Grants

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

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

Health and Hospital Corporation of Marion County, Indiana

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

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

(Dollars in thousands)

	2019	2018	2017	2016	2015	2014
Corporation's proportion of the net pension liability	3.3767%	4.0904%	4.1264%	4.4914%	4.6000%	4.8248%
Corporation's proportionate share of the net pension liability	$ 111,601	$ 138,952	$ 184,103	$ 203,839	$ 187,353	$ 126,794
Corporation's covered payroll	$ 175,927	$ 208,716	$ 204,720	$ 215,254	$ 220,331	$ 235,563
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	63%	67%	90%	95%	85%	54%
Plan fiduciary net position as a percentage of the total pension liability	80%	79%	73%	71%	73%	81%

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

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

Notes to Schedule:

Benefit changes: Legislation was passed through House Enrolled No.1059 to expand the current pre-retirement death benefit to apply to all active and inactive members who have at lease 10 years of service, the current general vesting requirement. This provides new coverage for active and inactive members with 10 to 15 years of service (before age 65) and inactive members who die prior to age 50.

Changes of assumptions: no changes

Health and Hospital Corporation of Marion County, Indiana

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

Required Supplementary Information
Schedule of Corporation's Pension Contributions
Indiana Public Employees' Retirement Fund (PERF)
Last 10 Fiscal Years*

(Dollars in thousands)

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 19,173	$ 20,552	$ 22,244	$ 23,175	$ 24,534	$ 26,107
Contributions in relation to the contractually required contribution	19,173	20,552	22,244	23,175	24,534	26,107
Contribution excess (deficiency)	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's covered payroll	$ 171,342	$ 183,817	$ 197,353	$ 206,962	$ 219,944	$ 195,739
Contributions as a percentage of covered payroll	11.19%	11.18%	11.27%	11.20%	11.15%	13.34%

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

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

Notes to Schedule:

Benefit changes: Legislation was passed through House Enrolled No.1059 to expand the current pre-retirement death benefit to apply to all active and inactive members who have at lease 10 years of service, the current general vesting requirement. This provides new coverage for active and inactive members with 10 to 15 years of service (before age 65) and inactive members who die prior to age 50.

Changes of assumptions: no changes

Changes in actuarial methods: no significant changes

See Accompanying Notes to the Required Supplementary Information

Health and Hospital Corporation of Marion County, Indiana

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

Required Supplementary Information - Budgetary Comparison
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2019

(Dollars in thousands)

	Budgeted Amounts		Actual	Variance With Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 124,771	$ 124,771	$ 129,615	$ 4,844
Licenses and permits	4,636	4,636	4,663	27
Intergovernmental	520	520	641	121
Charges for services	1,568	1,568	1,364	(204)
Medicaid special revenue (net of intergovernmental transfers)	(35,001)	(35,001)	(5,557)	29,444
Interest	1,500	1,500	6,119	4,619
Grants	27,273	27,273	26,216	(1,057)
Miscellaneous	11,276	11,276	12,637	1,361
Total revenues	136,543	136,543	175,698	39,155
Expenditures				
Personal services	72,726	72,726	67,899	4,827
Supplies	8,327	8,327	4,684	3,643
Other charges and services	89,728	89,728	68,455	21,273
Capital outlays	5,492	5,492	5,249	243
Total expenditures	176,273	176,273	146,287	29,986
Other Financing Uses				
Transfers in	215,000	215,000	196,359	(18,641)
Transfers out	(173,277)	(173,277)	(173,140)	137
Total other financing uses	41,723	41,723	23,219	(18,504)
Net change in fund balances	1,993	1,993	52,630	50,637
Fund balances - beginning of year	40,383	40,383	377,965	337,582
Fund balances - end of year	$ 42,376	$ 42,376	$ 430,595	$ 388,219

Health and Hospital Corporation of Marion County, Indiana

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

Notes to the Required Supplementary Information - Budgetary Comparison
December 31, 2019

(Dollars in thousands)

Budgets and Budgetary Accounting

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

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

Encumbrance Accounting

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

Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

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

Net change in fund balance - GAAP basis	$ 60,143
Add (Deduct):	
Encumbrances as of year-end	(17,166)
Change in prepaid expenditures	(2,700)
Change in accounts receivable	18,244
Change in accounts payable	(8,910)
Change in self-insurance claims	(2,135)
Change in accrued expense	5,154
Net change in fund balance - Budgetary Basis	$ 52,630

Other Supplementary Information

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2019 Total Federal Expenditures	2019 Amount Passed-Through to Subrecipients
U.S. Department of Agriculture						
	Indiana State Department of Health	22279	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 37	$ -
	Indiana State Department of Health	28593	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	30,508,166	-
	Indiana State Department of Health	38122	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,499,680	-
				Total U.S. Department of Agriculture	**32,007,883**	**-**
U.S. Department of Housing and Urban Development						
	City of Indianapolis Marion County	1300003970	Continuum of Care Program	14.267	96,475	-
	City of Indianapolis Marion County	1300004541 / 1300004542	Continuum of Care Program	14.267	148,207	-
	City of Indianapolis Marion County	1300003948	Continuum of Care Program	14.267	166,125	-
	City of Indianapolis Marion County	1300004476	Continuum of Care Program	14.267	259,762	-
	City of Indianapolis Marion County	1300003949	Continuum of Care Program	14.267	166,155	-
	City of Indianapolis Marion County	1300004475	Continuum of Care Program	14.267	221,404	-
					1,058,128	-
				Total U.S. Department of Housing and Urban Development	**1,058,128**	**-**
U.S. Department of Justice						
	Direct	N/A	Community-Based Violence Prevention Program	16.123	458,870	14,372
	Indiana Criminal Justice Institute	D3-17-11697	Crime Victim Assistance	16.575	(2,706)	-
	Indiana Criminal Justice Institute	30583	Crime Victim Assistance	16.575	209,015	-
	Indiana Criminal Justice Institute	38640	Crime Victim Assistance	16.575	71,653	-
	Indiana Criminal Justice Institute	30766	Crime Victim Assistance	16.575	215,854	-
	Indiana Criminal Justice Institute	D3-18-12117	Crime Victim Assistance	16.575	45,639	-
					539,455	-
	Indiana Criminal Justice Institute	D3-18-12237 Amend #1	Violence Against Women Formula Grants	16.588	9,425	9,425
	Direct	N/A	Comprehensive Opioid Abuse Site-Based Program	16.838	212,529	562
	Indiana Family and Social Services Administration	34610	Comprehensive Opioid Abuse Site-Based Program	16.838	135,000	-
					347,529	562
				Total U.S. Department of Justice	**1,355,279**	**24,359**

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2019

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2019 Total Federal Expenditures	2019 Amount Passed-Through to Subrecipients
U.S. Department of Transportation						
	Indiana Department of Homeland Security	HMHMP0548160100	Interagency Hazardous Material Public Sector Training and Planning Grants	20.703	$ 9,998	$ -
			Total U.S. Department of Transportation		**9,998**	-
U.S. Environmental Protection Agency						
	Indiana State Department of Health	29250	State Indoor Radon Grants	66.032	3,000	-
			Total U.S. Environmental Protection Agency		**3,000**	-
U.S. Department of Health and Human Services						
	Direct	N/A	Special Programs for the Aging, Title IV and Title II Discretionary Program	93.048	135,538	78,146
	Indiana State Department of Health	35524	Public Health Emergency Preparedness	93.069	123,552	-
	Indiana State Department of Health	36893	Environmental Public Heath and Emergency Response	93.070	11,585	-
	Indiana State Department of Health	26904	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	135,009	-
	Direct	N/A	Sodium Reduction in Communities	93.082	286,216	-
	Direct	N/A	Food and Drug Administration-Research	93.103	71,567	-
	Association of Food and Drug Officials	G-SP-1810-06683	Food and Drug Administration-Research	93.103	3,000	-
					74,567	-
	Indiana State Department of Health	17612	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	177,485	-
	Indiana University	IN4683538HHC	Emergency Medical Services for Children	93.127	13,124	-
	Indiana University	5H33MC1130411-00	Emergency Medical Services for Children	93.127	53,273	-
					66,397	-
	Indiana State Department of Health	24297	Injury Prevention and Control Research and State and Community Based Programs	93.136	9,301	-
	Indiana State Department of Health	38883	Injury Prevention and Control Research and State and Community Based Programs	93.136	87,048	-
					96,349	-
	University of Illinois	7795	HIV-Related Training and Technical Assistance	93.145	179,896	18,445
	University of Illinois	17692	HIV-Related Training and Technical Assistance	93.145	108,137	-
					288,033	18,445
	Indiana Family and Social Services Administration	21806	Projects for Assistance in Transition from Homelessness (PATH)	93.150	(1)	-
	Indiana Family and Social Services Administration	28422	Projects for Assistance in Transition from Homelessness (PATH)	93.150	63,792	-
	Indiana Family and Social Services Administration	36440	Projects for Assistance in Transition from Homelessness (PATH)	93.150	22,187	-
					85,978	-
	Direct	N/A	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	93.197	246,552	-
	Indiana State Department of Health	32355	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	93.197	10,000	-
					256,552	-
	Indiana Family Health Council	IFHC-1	Family Planning Services	93.217	760,238	2,940

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2019

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2019 Total Federal Expenditures	2019 Amount Passed-Through to Subrecipients
	Direct	N/A	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	$ 941,677	$ -
	Direct	N/A	Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	2,720,219	-
	Total Health Centers Program Cluster				3,661,896	-
	Indiana University	IN-4688935-HHC	Research on Healthcare Costs, Quality and Outcomes	93.226	35,300	-
	Indiana University	7470	Research on Healthcare Costs, Quality and Outcomes	93.226	90,012	-
					125,312	-
	Direct	N/A	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	995,092	464,305
	Indiana University	IN4688973EH	Drug Abuse and Addiction Research Programs	93.279	(41)	-
	Indiana University	IN4679749HHC	Drug Abuse and Addiction Research Programs	93.279	15,834	-
					15,793	-
	Direct	N/A	Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	202,266	49,166
	Indiana State Department of Health	22466	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	313,412	-
	Indiana State Department of Health	36234	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	172,334	-
	Indiana State Department of Health	37120	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	30,015	-
					515,761	-
	Indiana State Department of Health	31787	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	76,092	-
	Indiana State Department of Health	31815	Flexible Funding Model = Infrastructure Development and Maintenance for State Manufactured Food Regulatory	93.367	18,821	-
	Indiana Family Health Council	N/A	Temporary Assistance for Needy Families (*TANF Cluster*)	93.558	529,193	-
	Indiana State Department of Health	31174	Refugee and Entrant Assistance State Administered Programs	93.566	258,233	-
	Indiana University	2073161	ACA-Transforming Clinical Practive Initiative: Practice Transformation Networks (PTNs)	93.638	138,057	39,600
	Indiana Family Health Council	IFHC-3 & IFHC-4	Social Services Block Grant	93.667	190,905	-
	Indiana Family and Social Services Administration	25277	Social Services Block Grant	93.667	61,284	-
					252,189	-

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2019

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2019 Total Federal Expenditures	2019 Amount Passed-Through to Subrecipients
	Direct	N/A	PPHF: Racial and Ethnic Approaches to Community Health Program	93.738	$ 571,517	$ 196,140
	Indiana Family and Social Services Administration	35033	State Targeted Response to the Opioid Crisis Grants	93.788	70,158	-
	Indiana Family and Social Services Administration	35035	State Targeted Response to the Opioid Crisis Grants	93.788	84,200	-
					154,358	-
	Indiana University	6392	Cardiovascular Diseases Research	93.837	(3,605)	-
	Indiana University	7090	Cardiovascular Diseases Research	93.837	25,831	-
	Indiana University	7788	Cardiovascular Diseases Research	93.837	15,707	-
	Indiana University	IN4688952EH	Cardiovascular Diseases Research	93.837	20,062	-
					57,995	-
	Indiana University	71053447	Lung Diseases Research	93.838	86,732	-
	Indiana University	IN4688913HHC	Aging Research	93.866	61,374	-
	Indiana University	IN-4082984-HHC	Aging Research	93.866	21,489	-
					82,863	-
	University of Illinois	7795	Grants for Primary Care Training and Enhancement	93.884	27,220	-
	Direct	N/A	HIV Emergency Relief Project Grants	93.914	4,359,825	2,535,338
	The Health Foundation of Greater Indianapolis	18-1244	HIV Care Formula Grants	93.917	3,740	-
	Indiana State Department of Health	18792 Amend #1	HIV Care Formula Grants	93.917	86,660	-
	Indiana State Department of Health	18792 Amend #2	HIV Care Formula Grants	93.917	273,614	-
	Indiana State Department of Health	23719	HIV Care Formula Grants	93.917	(2,291)	-
	Indiana State Department of Health	23722	HIV Care Formula Grants	93.917	170	-
	Indiana State Department of Health	24577	HIV Care Formula Grants	93.917	296,142	-
	Indiana State Department of Health	26579	HIV Care Formula Grants	93.917	43,816	-
	Indiana State Department of Health	26579 Amend #1	HIV Care Formula Grants	93.917	99,281	-
	Indiana State Department of Health	29737	HIV Care Formula Grants	93.917	216,421	-
	Indiana State Department of Health	30866	HIV Care Formula Grants	93.917	116,545	-
	Indiana State Department of Health	30869	HIV Care Formula Grants	93.917	42,145	-
	Indiana State Department of Health	31983	HIV Care Formula Grants	93.917	363,690	-
					1,539,933	-
	Direct	N/A	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	683,072	342,473
	Direct	N/A	Healthy Start Initiative	93.926	1,081,637	53,344
	Indiana State Department of Health	24615	HIV Prevention Activities Health Department Based	93.940	(909)	-
	Indiana Family and Social Services Administration	22184	Block Grants for Community Mental Health Services	93.958	(15,722)	-
	Indiana Family and Social Services Administration	28704	Block Grants for Community Mental Health Services	93.958	1,209,945	522,343
	Indiana Family and Social Services Administration	25277	Block Grants for Community Mental Health Services	93.958	137,307	-
	Indiana Family and Social Services Administration	31604	Block Grants for Community Mental Health Services	93.958	235,080	-
					1,566,610	522,343

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2019

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2019 Total Federal Expenditures	2019 Amount Passed-Through to Subrecipients
	Indiana State Department of Health	22225	Block Grants for Prevention and Treatment of Substance Abuse	93.959	$ 35,946	$ -
	Indiana Family and Social Services Administration	25277	Block Grants for Prevention and Treatment of Substance Abuse	93.959	304,269	-
	Indiana Family and Social Services Administration	31604	Block Grants for Prevention and Treatment of Substance Abuse	93.959	305,414	-
	Indiana Family and Social Services Administration	29377	Block Grants for Prevention and Treatment of Substance Abuse	93.959	827,008	-
					1,472,637	-
	Indiana University	IN-4688915-HHC	PPHF Geriatric Education Centers	93.969	(1,412)	-
	Indiana University	2254799	PPHF Geriatric Education Centers	93.969	33,401	-
	Indiana University	64692	PPHF Geriatric Education Centers	93.969	19,240	-
					51,229	-
	Indiana State Department of Health	23663	Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	28	-
	Indiana State Department of Health	30853	Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	148,040	17,410
					148,068	17,410
	Indiana State Department of Health	38895	Maternal and Child Health Services Block Grant to the States	93.994	14,969	-
			Total U.S. Department of Health and Human Services		**21,183,960**	**4,319,650**
U.S. Department of Homeland Security						
	City of Indianapolis	15897	Homeland Security Grant Program	97.067	144,835	-
			Total U.S. Department of Transportation		**144,835**	-
			Total Federal Expenditures		**$ 55,763,083**	**$ 4,344,009**

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Health and Hospital Corporation of Marion County, Indiana under programs of the federal government for the year ended December 31, 2019. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Health and Hospital Corporation of Marion County, Indiana, it is not intended to and does not present the financial position, changes in net position or cash flows of Health and Hospital Corporation of Marion County, Indiana.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Health and Hospital Corporation of Marion County, Indiana has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Health and Hospital Corporation of Marion County, Indiana had no federal loans that they were administering as of December 31, 2019.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation), as of and for the year ended December 31 2019 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 29, 2020. The financial statements of Eskenazi Medical Group, Inc. (EMG) and Lions Insurance Company (Lions), component units included in the financial statements of the business-type activities, were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with EMG or Lions.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
June 29, 2020

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Health and Hospital Corporation of Marion County, Indiana's (Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
June 29, 2020

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):

   (Check each description that applies)

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

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

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the Corporation's major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The Corporation's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants & Children	10.557
HIV Care Formula Grants	93.917
Block Grants for Community Mental Health Services	93.958

8. The threshold used to distinguish between Type A and Type B programs was $1,672,892.

9. The Corporation qualified as a low-risk auditee? ☐ Yes ☒ No

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Status of Prior Audit Findings
Year Ended December 31, 2019

Reference Number	Summary of Finding	Status
	No matters are reportable.	