

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF
GREENE COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
10/10/2006

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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jonas S. Uland	01-01-05 to 12-31-06
Treasurer	Timothy W. Norris	01-01-05 to 12-31-06
Chairman of the Hospital Board	Ralph E. Hiatt	01-01-05 to 12-31-06
President of the Board of County Commissioners	Bart Beard	01-01-05 to 12-31-06



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE GREENE COUNTY GENERAL HOSPITAL, GREENE COUNTY, INDIANA

We have audited the accompanying basic financial statements of Greene County General Hospital (Hospital) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above do not include a number of component units of the Hospital, which should have been included to conform to accounting principles generally accepted in the United States.

In our opinion, except that the omission of the component units of the Hospital referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

The Management Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

August 23, 2006

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Our discussion and analysis of Greene County General Hospital's (Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2005. Please read it in conjunction with the Hospital's financial statements, which begin on page 2.

Financial Highlights

- The Hospital's current assets have continued to grow to \$11,680,420 while current liabilities are significantly lower than current assets at \$2,523,608.
- The Hospital's total net assets remained strong at December 31, 2005 with a balance of \$14,840,087, which represents 85% of total liabilities and net assets.
- The Hospital purchased \$214,173 of capital assets during 2005.
- In 2005 the Hospital established a receivable for an estimated third-party settlement due from the Medicare program of \$1,589,421. In addition, the Hospital eliminated the December 31, 2004 third party liability of \$821,937 due to the Medicare program.

Using This Annual Report

The Hospital's financial statements consist of the following three statements:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows-Restricted and Unrestricted Funds

These financial statements and related notes provide information about the activities of the Hospital.

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Hospital's resources and its activities. These two statements report the net assets of the Hospital and their changes. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth (including uninsured and medically indigent individuals and families) and new or changed government legislation should also be considered.

The Statement of Cash Flows-Restricted and Unrestricted Funds

The final required statement is the Statement of Cash Flows-Restricted and Unrestricted Funds. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities.

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the Statement of Net Assets on page 2. The Hospital's net assets increased in the past year by \$814,743, as reported in Tables 1 and 2. However, as reported in Table 2, \$370,900 of the increase is due to a prior period adjustment to supplies and other current assets.

Table 1: Assets, Liabilities, and Net Assets

	2005	2004
<i>Assets:</i>		
Current assets	\$11,680,420	\$10,570,620
Capital assets, net	4,842,147	5,193,571
Other non-current assets	841,128	1,260,232
Total assets	\$17,363,695	\$17,024,423
<i>Liabilities:</i>		
Current liabilities	\$ 2,523,608	\$ 2,999,079
Total liabilities	\$ 2,523,608	\$ 2,999,079
<i>Net assets:</i>		
Invested in capital assets, net of related debt	\$ 4,842,147	\$ 5,193,571
Unrestricted	9,997,940	8,831,773
Total net assets	\$14,840,087	\$14,025,344

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Table 2: Operating Results and Changes in Net Assets

	2005	2004
<i>Operating revenues:</i>		
Net patient service revenues, net of provision for bad debt	\$18,455,588	\$18,156,210
Other	250,978	501,994
	18,706,566	18,658,204
<i>Operating expenses:</i>		
Salaries and benefits	12,132,348	11,407,496
Medical supplies and drugs	1,106,829	1,137,934
Depreciation and amortization	565,598	696,405
Other expenses	4,495,477	4,383,681
	18,300,252	17,625,516
Operating income	406,314	1,032,688
<i>Non-operating revenues and expenses:</i>		
Investment income	32,329	43,645
Non-capital grants and contributions	5,200	6,150
Loss on sale of equipment		(2,700)
	37,529	47,095
Increase in net assets	443,843	1,079,783
Net assets at December 31, 2003		13,076,254
Prior period adjustment	370,900	(130,693)
Net assets beginning of year	14,025,344	12,945,561
Net assets end of year	\$14,840,087	\$14,025,344

Operating and Financial Performance

The following highlights the Hospital's performance during 2005.

Operating Income

A significant component of the overall change in the Hospital's net assets is its operating income, generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported operating income of \$406,314 in 2005.

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Operating and Financial Performance (Continued)

Revenue

- Net patient service revenue, net of provision for bad debt, increased \$299,378 from 2004 to 2005. However, other revenue decreased between 2004 and 2005 by \$251,016.
- Provision for bad debt, which reduces net patient service revenue, has increased significantly between years from \$1,832,632 to \$3,981,630 for the years ended December 31, 2004 and 2005, respectively.
- Excluded from net patient service revenue are charges for services waived under the Hospital's charity care policy. Charity care represents unreimbursed charges incurred by the Hospital in providing un-compensated care to indigent patients. Based on established rates, gross charges of \$568,215 were waived during 2005, an increase of \$173,769 over the amount allowed in 2004. The Hospital is committed to providing care for all patients without regard to their ability to pay.

Expense

- Total operating expense increased by 3.8% from 2004. This increase is mostly due to the increase of salaries and benefits. Salaries and benefits have increased consistent with the increase in services.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of interest income, investment earnings and losses and other non-operating revenues and expenses. There were no significant changes in non-operating revenues and expenses from 2004 to 2005.

The Hospital's Cash Flows

The Hospital's operating cash flows have changed significantly between years as the net cash used by operating activities was \$609,683 in 2005 while the net cash provided by operating activities was \$1,212,363. This significant decrease is mostly due to the change in the patient accounts receivable, net of the provision for bad debts and the change in the amount due to and from the Medicare program.

The Hospital's net cash used by investing activities also changed due to the decrease in investments balances between years.

Capital Asset and Debt Administration

The Hospital had \$4,842,147 invested in capital assets, net of accumulated depreciation, at the end of 2005. The Hospital also used a revolving line of credit during 2005 with a balance at December 31, 2005 of \$200,000.

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
STATEMENT OF NET ASSETS
December 31, 2005

Assets

Current assets:	
Cash and cash equivalents	\$ 156,576
Patient accounts receivable, net of estimated uncollectibles of \$14,263,739	6,631,488
Estimated third-party settlements	1,589,421
Supplies and other current assets	3,302,935
Noncurrent cash and investments:	
Internally designated	841,128
Capital assets:	
Land and construction in progress	963,870
Depreciable capital assets, net of accumulated depreciation	<u>3,878,277</u>
 Total assets	 <u>\$ 17,363,695</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	355,109
Other current liabilities	<u>2,168,499</u>
 Total liabilities	 <u>2,523,608</u>
Net assets:	
Invested in capital assets, net of related debt	4,842,147
Unrestricted	<u>9,997,940</u>
 Total net assets	 <u>14,840,087</u>
 Total liabilities and net assets	 <u>\$ 17,363,695</u>

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

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2005

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	\$ 18,455,588
Other	<u>250,978</u>
Total operating revenues	<u>18,706,566</u>
Operating expenses:	
Salaries and benefits	10,726,959
Medical professional fees	1,405,389
Medical supplies and drugs	1,106,829
Insurance	378,155
Other supplies	3,051,265
Depreciation and amortization	565,598
Other expenses	<u>1,066,057</u>
Total operating expenses	<u>18,300,252</u>
Operating income	<u>406,314</u>
Nonoperating revenues:	
Investment income	32,329
Noncapital grants and contributions	<u>5,200</u>
Total nonoperating revenues	<u>37,529</u>
Increase in net assets	443,843
Net assets beginning of the year	14,025,344
Prior period adjustment - net assets	<u>370,900</u>
Net assets end of the year	<u>\$ 14,840,087</u>

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

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2005

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 19,321,181
Payments to suppliers and contractors	(4,572,079)
Payments to employees	(12,132,348)
Other receipts and payments, net	<u>(3,226,437)</u>
Net cash used by operating activities	<u>(609,683)</u>
Cash flows from noncapital financing activities:	
Noncapital grants and contributions	<u>5,200</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(214,174)</u>
Cash flows from investing activities:	
Interest and dividends on investments	32,329
Purchase of investments	(2,211,984)
Proceeds from sale of investments	<u>1,717,090</u>
Net cash used by investing activities	<u>(462,565)</u>
Net decrease in cash and cash equivalents	(1,281,222)
Cash and cash equivalents at beginning of year	<u>1,482,003</u>
Cash and cash equivalents at end of year	<u>\$ 200,781</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 156,576
Restricted cash and cash equivalents	<u>44,205</u>
Total cash and cash equivalents	<u>\$ 200,781</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 406,314
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	565,598
Provision for bad debts	3,981,630
(Increase) decrease in current assets:	
Patient accounts receivable	(3,116,037)
Supplies and other current assets	(382,296)
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	32,501
Other current liabilities	313,965
Estimated third-party payor settlements	<u>(2,411,358)</u>
Net cash used in operating activities	<u>\$ (609,683)</u>

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

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

On September 28, 1910, the Board of County Commissioners of Greene County, upon written request of the Hospital Board of Trustees created the Greene County General Hospital Association. The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital.

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

Management has chosen to omit from these financial statements the Greene County Home Health Care, a component unit that has significant operational or financial relationships with the Hospital. Accordingly, the financial statements do not include the data of all of the Hospital's component units necessary for reporting in conformity with accounting principles generally accepted in the United States. Books and records are maintained at the principal office, Greene County Home Health Care, LLC, 2121 East Highway 54, Linton, Indiana 47441.

Blended Component Unit

The Greene County General Hospital Foundation is a significant blended component unit of the Hospital. The primary government appoints a voting majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provided services entirely or almost entirely to the Hospital.

Joint Venture

The Hospital is a participant with Union Hospital, Inc., organized as a limited liability company (LLC) on July 15, 1996, to operate rural health clinics. The initial capital contribution was \$145,824 with additional contributions made as determined by the Board. Each Hospital shall have six board members. Generally, all profits and losses shall be allocated to the Hospitals in accordance with the percentage interest, which is 50/50. Books and records are maintained at the principal office, Greene County General Hospital, RR#1, Box 100, Linton, Indiana 47441.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Enterprise Fund Accounting

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

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

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

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating revenues in the statement of revenues, expenses, and changes in net assets.

2. Use of Estimates

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

GREENE COUNTY GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3. Capital Assets

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$ 5,000	Straight-line	10 to 30 years
Buildings and improvements	5,000	Straight-line	5 to 40 years
Equipment	5,000	Straight-line	5 to 20 years

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

4. Net Assets

Net assets of the Hospital are classified in four components.

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

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

D. Grants and Contributions

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

E. Restricted Resources

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

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

G. Compensated Absences

1. Sick Leave

Hospital employees earn sick leave at the approximate rate of one day per month. Unused sick leave may be accumulated to a maximum of 192 hours. Accumulated sick leave is paid to employees in good standing resigning during the year and working out their notice at 10% of the hours of one's accumulated sick leave through cash payments.

2. Vacation Leave

Hospital employees earn vacation leave at rates from .03850 to .07692 hours per hours paid based upon the number of years of service. Vacation leave may be taken only after one year of continuous service. Vacation leave may be accumulated to a maximum of 400 hours. Accumulated vacation leave is paid to employees through cash payments.

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

II. Detailed Notes

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, the bank balance held at Hilliard Lyons in the amount of \$665 was uncollateralized. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the Hospital had the following investments:

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government Market Value
Corporate stocks	\$ 70,863
Corporate bonds	29,975
Mutual funds	196,085
Total	\$ 296,923

Investment Policies

Indiana Code 5-13-9 authorizes the Hospital to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Hospital and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Hospital may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Hospital does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the Hospital held investments in corporate stocks, corporate bonds and mutual funds in the amount of \$296,923.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Corporate stocks	\$ 70,863	\$ -	\$ -
Corporate bonds	10,180	19,795	-
Mutual funds	196,085	-	-
Totals	<u>\$ 277,128</u>	<u>\$ 19,795</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Moody's Rating	Hospital's Investments		
		Corporate Stocks	Corporate Bonds	Mutual Funds
A	A	\$ -	\$ 19,795	\$ -
BBB	Baa	-	10,180	-
Unrated	Unrated	70,863	-	196,085
Totals		<u>\$ 70,863</u>	<u>\$ 29,975</u>	<u>\$ 196,085</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Hospital does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Accounts Receivable and Payable

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

Patient Accounts Receivable

Receivable from patients and their insurance carriers	\$ 14,247,847
Receivable from Medicare	3,289,500
Receivable from Medicaid	<u>3,357,880</u>
 Total patient accounts receivable	 20,895,227
 Less allowance for uncollectible amounts	 <u>14,263,739</u>
 Patient accounts receivable, net	 <u><u>\$ 6,631,488</u></u>

Accounts Payable and Accrued Expenses

Payable to employees (including payroll taxes)	\$ 82,651
Payable to suppliers	271,660
Other	<u>798</u>
 Total accounts payable and accrued expenses	 <u><u>\$ 355,109</u></u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 759,198	\$ -	\$ -	\$ 759,198
Construction in progress	<u>204,672</u>	<u>-</u>	<u>-</u>	<u>204,672</u>
 Total capital assets, not being depreciated	 <u>963,870</u>	 <u>-</u>	 <u>-</u>	 <u>963,870</u>
Capital assets, being depreciated:				
Land improvements	481,993	6,170	3,111	485,052
Buildings and improvements	7,223,396	67,111	-	7,290,507
Equipment	<u>6,060,163</u>	<u>140,892</u>	<u>1,111,224</u>	<u>5,089,831</u>
 Totals	 <u>13,765,552</u>	 <u>214,173</u>	 <u>1,114,335</u>	 <u>12,865,390</u>

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Land improvements	390,918	14,605	3,109	402,414
Buildings and improvements	4,110,615	263,804	-	4,374,419
Equipment	<u>5,034,318</u>	<u>284,480</u>	<u>1,108,518</u>	<u>4,210,280</u>
Totals	<u>9,535,851</u>	<u>562,889</u>	<u>1,111,627</u>	<u>8,987,113</u>
Total capital assets, being depreciated, net	<u>4,229,701</u>	<u>(348,716)</u>	<u>2,708</u>	<u>3,878,277</u>
Total primary government capital assets, net	<u>\$ 5,193,571</u>	<u>\$ (348,716)</u>	<u>\$ 2,708</u>	<u>\$ 4,842,147</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2002</u>	<u>Committed</u>	<u>Required Future Funding</u>
Assisted living project	<u>\$ 204,672</u>	<u>\$ 204,672</u>	<u>\$ -</u>	<u>\$ -</u>

E. Leases

Operating Leases

The Hospital has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for cat scan and an ultrasound. Rental expenditures for these leases were \$229,188 and \$36,845, respectively. The following is a schedule by years of future minimum rental payments as of year end:

2006	\$ 266,033
2007	266,033
2008	256,822
2009	<u>95,496</u>
Total	<u>\$ 884,384</u>

F. Short-Term Liabilities

The Hospital used a revolving line of credit to finance hospital operations during December 2005.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-term debt activity for the year ended was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Line of credit	\$ -	\$ 200,000	\$ -	\$ 200,000

G. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$568,215 for 2005.

H. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

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

Internally designated:	
Funded depreciation:	
Cash and cash equivalents	\$ 44,205
Investments	796,923
Total funded depreciation	841,128
Total internally designated	\$ 841,128

III. Other Information

A. Risk Management

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

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

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees

The Hospital has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the General Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$30,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to the General Fund. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors.

However, claim liabilities cannot be reasonably estimated.

B. Contingent Liabilities

Litigation

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

C. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

The carrying amount reported in the statement of net assets for cash and cash equivalents approximates its fair value.

Short-Term Investments

The carrying amount reported in the statement of net assets is the investment's fair value on the day it becomes a short-term investment.

Investments

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

Accounts Payable and Accrued Expenses

The carrying amount reported in the statement of net assets for accounts payable and accrued expenses approximates its fair value.

GREENE COUNTY GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Estimated Third-Party Payor Settlements

The carrying amount reported in the statement of net assets for estimated third-party payor settlements approximates its fair value.

D. Pension Plan

Plan Description

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

Annuity Investors Life Insurance Company
 P.O. Box 5423
 Cincinnati, OH 45201-5423

Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. The Hospital is required to contribute at an actuarially determined rate. The current rate is 8.4% to 12.7% of annual covered payroll.

Information is not available to report additional disclosures required by GASB Statement 34.

E. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Hospital. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent a more accurate presentation of the hospitals net assets.

<u>Fund Type</u>	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
Supplies and Other Current Assets	\$ 2,549,739	\$ 370,900	\$ 2,920,639

GREENE COUNTY GENERAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2006, with Jonas S. Uland, Executive Director; and Timothy W. Norris, Treasurer. Our audit disclosed no material items that warrant comment at this time.