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

AUDIT REPORT
OF

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

January 1, 2009 to December 31, 2009



FILED
09/28/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Hospital Officials	2
Independent Auditor's Report	3
Management's Discussion and Analysis.....	4-8
Basic Financial Statements:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows – Restricted and Unrestricted Funds	11
Notes to Financial Statements	12-22
Exit Conference.....	23

HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jonas S. Uland	01-01-09 to 12-31-10
Treasurer	Timothy W. Norris	01-01-09 to 12-06-10
Chairman of the Hospital Board	Ralph E. Hiatt	01-01-09 to 12-31-10
President of the Board of County Commissioners	Bart Beard Steve Lindsey	01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
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 the business-type activities of the Greene County General Hospital (Hospital) as of and for the year ended December 31, 2009, which collectively comprise the Hospital's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

STATE BOARD OF ACCOUNTS

August 26, 2010

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

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, 2009. Please read it in conjunction with the Hospital's financial statements.

Financial Highlights

- The Hospital's current assets have continued to grow to \$20,943,478 while current liabilities are significantly lower than current assets at \$2,526,776.
- The Hospital's total net assets remained strong at December 31, 2009 with a balance of \$ 22,200,706. This represents 89.8% of total liabilities and net assets.
- The Hospital purchased \$282,203 of capital assets during 2009.

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, 2009

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. The Hospital's net assets increased in the past year by \$ 1,971,225 as reported in Tables 1 and 2.

Table 1: Assets, Liabilities, and Net Assets

	2009	2008
<i>Assets:</i>		
Current assets	\$20,943,478	\$18,041,112
Capital assets, net	3,595,442	3,784,561
Other non-current assets	188,562	191,920
Total assets	\$24,727,482	\$22,017,593
<i>Liabilities:</i>		
Current liabilities	\$ 2,526,776	\$ 1,788,112
Total liabilities	\$ 2,526,776	\$ 1,788,112
<i>Net assets:</i>		
Invested in capital assets, net of related debt	\$ 3,595,442	\$ 3,784,561
Unrestricted	18,605,264	16,444,920
Total net assets	\$22,200,706	\$20,229,481

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Table 2: Operating Results and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
<i>Operating revenues:</i>		
Net patient service revenues, net of provision for bad debt	\$21,783,581	\$20,703,510
Other	1,511,520	3,701,776
	<u>23,295,101</u>	<u>24,405,286</u>
<i>Operating expenses:</i>		
Salaries and benefits	12,639,427	11,917,429
Medical supplies and drugs	1,409,764	1,417,415
Depreciation and amortization	467,569	488,015
Other expenses	6,910,916	6,412,950
	<u>21,427,676</u>	<u>20,235,809</u>
Total operating expenses	<u>21,427,676</u>	<u>20,235,809</u>
Operating income	<u>1,867,425</u>	<u>4,169,477</u>
<i>Non-operating revenues and expenses:</i>		
Investment income	107,553	33,519
Loss on disposals and contributions	(3,753)	(35,382)
	<u>103,800</u>	<u>3,137</u>
Total non-operating revenues and expenses	<u>103,800</u>	<u>3,137</u>
Increase in net assets	<u>1,971,225</u>	<u>4,172,614</u>
Net assets beginning of year	<u>20,229,481</u>	<u>16,056,867</u>
Net assets end of year	<u>\$22,200,706</u>	<u>\$20,299,481</u>

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Operating and Financial Performance

The following highlights the Hospital's performance during 2009.

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 \$1,867,425 in 2009.

Revenue

- Net patient service revenue, net of provision for bad debt, increased \$1,080,071 from 2008 to 2009. Other revenue decreased between 2008 and 2009 by \$2,190,256.
- Provision for bad debt, which reduces net patient service revenue, has decreased significantly between years from \$1,429,735 to \$1,028,651 for the years ended December 31, 2008 and 2009, respectively.
- Excluded from net patient service revenue are charges for services waived under the Hospital's charity care policy. Charity care represents un-reimbursed charges incurred by the Hospital in providing uncompensated care to indigent patients. Based on established rates, gross charges of \$816,929 were waived during 2009, an increase of \$24,228 over the amount allowed in 2008. The Hospital is committed to providing care for all patients without regard to their ability to pay.

Expense

- Total operating expense increased by only 5.89% from 2008.

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. Non-operating revenues increased from \$3,137 in 2008 to \$103,800 in 2009, due, primarily, to interest income from investments.

GREENE COUNTY GENERAL HOSPITAL
A COMPONENT UNIT OF GREENE COUNTY, STATE OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

The Hospital's Cash Flows

The Hospital's operating cash flows have changed significantly between years as the net cash provided by operating activities was \$802,181 in 2009 while the net cash used by operating activities was \$3,185,201 in 2008. This significant decrease is mostly due to the change in operating income.

Capital Asset and Debt Administration

The Hospital had \$3,595,442 invested in capital assets, net of accumulated depreciation, at the end of 2009.

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF NET ASSETS
December 31, 2009

<u>Assets</u>	<u>Primary Government</u>
Current assets:	
Cash and cash equivalents	\$ 6,129,520
Patient accounts receivable, net of estimated uncollectibles of \$14,075,988	12,736,178
Supplies and other current assets	366,917
Due from Home Healthcare Agency, net of estimated uncollectibles of \$1,417,905	835,116
Due from Worthington Family Practice Clinic, net of estimated uncollectibles of \$434,665	754,239
Due from Greene County General Hospital Foundation	121,508
Noncurrent cash and investments:	
Internally designated	188,562
Capital assets:	
Land and construction in progress	963,870
Depreciable capital assets, net of accumulated depreciation	2,631,572
Total assets	\$ 24,727,482
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 957,574
Estimated third-party payor settlements	1,000,000
Other current liabilities	569,202
Total liabilities	2,526,776
Net assets:	
Invested in capital assets, net of related debt	3,595,442
Unrestricted	18,605,264
Total net assets	22,200,706
Total liabilities and net assets	\$ 24,727,482

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

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2009

	<u>Primary Government</u>
Operating revenues:	
Net patient service revenue (net of provision for bad debt)	\$ 21,783,581
Other	<u>1,511,520</u>
Total operating revenues	<u>23,295,101</u>
Operating expenses:	
Salaries and benefits	12,639,427
Medical professional fees	1,439,740
Medical supplies and drugs	1,409,764
Insurance	234,305
Other supplies	3,949,276
Depreciation and amortization	467,569
Other expenses	<u>1,287,595</u>
Total operating expenses	<u>21,427,676</u>
Operating income	<u>1,867,425</u>
Nonoperating revenues(expenses):	
Investment income	107,553
Loss on disposal of assets	<u>(3,753)</u>
Total nonoperating revenues	<u>103,800</u>
Increase in net assets	1,971,225
Net assets beginning of the year	<u>20,229,481</u>
Net assets end of the year	<u>\$ 22,200,706</u>

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

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
Year Ended December 31, 2009

	2009
Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 20,109,873
Payments to suppliers and contractors	(5,473,884)
Payments to employees	(14,079,167)
Other receipts and payments, net	245,359
Net cash provided by operating activities	802,181
Cash flows from capital and related financing activities:	
Purchase of capital assets	(282,203)
Net cash used by capital and related financing activities	(282,203)
Cash flows from investing activities:	
Interest and dividends on investments	107,553
Proceeds from sale of investments	990,999
Net cash used by investing activities	1,098,552
Net increase in cash and cash equivalents	1,618,530
Cash and cash equivalents at beginning of year	4,576,057
Cash and cash equivalents at end of year	\$ 6,194,587
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 6,129,520
Restricted cash and cash equivalents	65,067
Total cash and cash equivalents	\$ 6,194,587
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,867,425
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	467,569
Provision for bad debts	1,845,580
Increase in current assets:	
Patient accounts receivable	(3,519,288)
Supplies and other current assets	(24,203)
Due from Home Healthcare Agency	(287,136)
Due from Worthington Family Practice Clinic	(214,922)
Due from Greene County General Hospital Foundation	(71,508)
Increase in current liabilities:	
Accounts payable and accrued expenses	109,286
Other current liabilities	34,378
Estimated third-party payor settlements	595,000
Net cash provided in operating activities	\$ 802,181

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 Association has been reorganized and is now known as the Greene County General Hospital Foundation, Inc.

Management has chosen to omit from these financial statements Greene County General Hospital Foundation, Inc., Greene County Home Healthcare Agency, LLC, and Greene County General Hospital, LLC (Worthington Family Practice Clinic), component units that have 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 following principal offices:

Greene County General Hospital Foundation, Inc.
124 East Indiana Avenue
Bloomfield, Indiana 47424

Greene County Home Healthcare Agency, LLC
2121 East Highway 54
Linton, Indiana 47441

Greene County General Hospital, LLC (Worthington Family Practice Clinic)
124 East Indiana Avenue
Bloomfield, Indiana 47424

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.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 non-operating revenues in the statement of revenues, expenses, and changes in net assets.

2. Use of Estimates

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

3. Capital Assets

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

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 two components.

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

Restricted nonexpendable net assets equal the principal portion of permanent endowments.

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.

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. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GREENE COUNTY GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

G. Compensated Absences

1. Sick Leave

Hospital employees earn sick leave at the rate of one day per month. Unused sick leave may be accumulated to a maximum of 280 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 the employee'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 continuous year of service has been completed. 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 16-22-3-15 requires only that money in the Hospital funds be deposited in the manner determined by the governing board. The Hospital does not have a formal policy regarding custodial credit risk for deposits. At December 31, 2009, the bank balance held at Hillard Lyons in the amount of \$14,136 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 16-22-3-20. As of December 31, 2009, the Hospital had the following investments:

Investment Type	Primary Government Market Value
Mutual Funds	\$ 123,495

GREENE COUNTY GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Investment Policies

Indiana Code 16-22-3-20 authorizes the Hospital to invest in: 1) any interest bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 2) repurchase or resale agreements involving the purchase and guaranteed resale of any interest bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in which type of agreement the amount of money must be fully collateralized by interest bearing obligations as determined by the current market value computed on the day the agreement is effective; 3) mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; 4) securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency; or 5) pooled fund investments for participating hospitals offered, managed, and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

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 policy for custodial credit risk for investments. At December 31, 2009, the Hospital held investments in mutual funds in the amount of \$123,495.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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.

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Mutual Funds</u>
Unrated	Unrated	<u>\$ 123,495</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Hospital'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	\$ 22,457,744
Receivable from Medicare	3,524,255
Receivable from Medicaid	<u>830,167</u>
Total patient accounts receivable	26,812,166
Less allowance for uncollectible amounts	<u>14,075,988</u>
Patient accounts receivable, net	<u>\$ 12,736,178</u>

Accounts Payable and Accrued Expenses

Payable to employees (including payroll taxes)	\$ 737,417
Payable to suppliers	<u>220,157</u>
Total accounts payable and accrued expenses	<u>\$ 957,574</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 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	440,077	-	-	440,077
Buildings and improvements	7,450,359	-	102,711	7,347,648
Equipment	<u>4,543,283</u>	<u>282,203</u>	<u>500,691</u>	<u>4,324,795</u>
Totals	<u>12,433,719</u>	<u>282,203</u>	<u>603,402</u>	<u>12,112,520</u>

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Land improvements	397,066	10,546	-	407,612
Buildings and improvements	5,120,231	270,605	102,710	5,288,126
Equipment	<u>4,095,731</u>	<u>186,418</u>	<u>496,939</u>	<u>3,785,210</u>
Totals	<u>9,613,028</u>	<u>467,569</u>	<u>599,649</u>	<u>9,480,948</u>
Total capital assets, being depreciated, net	<u>2,820,691</u>	<u>(185,366)</u>	<u>3,753</u>	<u>2,631,572</u>
Total primary government capital assets, net	<u>\$ 3,784,561</u>	<u>\$ (185,366)</u>	<u>\$ 3,753</u>	<u>\$ 3,595,442</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, 2009</u>	<u>Committed</u>
Assisted living project	<u>\$ 204,672</u>	<u>\$ 204,672</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 a cat scan, radiology equipment and software (PACS). Rental expenditures for these leases were \$223,934, \$121,536, and \$94,164, respectively. The following is a schedule by years of future minimum rental payments as of year end:

2010	\$ 307,104
2011	267,869
2012	182,556
2013	91,404
2014	<u>91,404</u>
Total	<u>\$ 940,337</u>

F. Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$816,929 for 2009.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

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

Internally designated:	
Funded depreciation:	
Cash and cash equivalents	\$ 65,067
Investments	<u>123,495</u>
Total funded depreciation	<u>\$ 188,562</u>

III. Other Information

A. Risk Management

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

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 \$35,000 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.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. Fair Value Measurements

Statement on Financial Accounting Standards No. 157, Fair Value Measurements (as amended), requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by the Hospital impacted by this pronouncement include the Hospital's investments and assets whose use is limited which are measured using quoted prices in active markets and other significant observable inputs.

The Hospital partially adopted the provisions of FAS 157 for fiscal year 2008, but will delay adoption of nonfinancial assets and nonfinancial liabilities covered by FASB Staff Position No. FAS 157-2. This Staff Position permits entities to partially defer the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal year 2009.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

When fully adopted, the Hospital will apply the provisions of FAS 157-2 to certain non-financial assets and liabilities and is currently evaluating the impact of the full adoption of this statement on the activities, changes in net assets and financial position. Using the provisions within SFAS No. 157, the Hospital has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Based upon the levels as defined the Hospital's investments as of December 31, 2009, are classified as follows:

Investment Type	12-31-09	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 123,495	\$ 123,495	\$ -	\$ -

E. Estimated Third-Party Settlements

Regulations in effect require annual retroactive settlements for third-party settlements based upon cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the accompanying financial statements. Changes in these estimates are reflected in the year in which they occur. During 2009, net patient service revenues in the accompanying statements of operations were increased by \$595,000, to reflect changes in the estimated settlements for certain prior years.

GREENE COUNTY GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Pension Plan

Defined Contribution Pension Plan

Plan Description

The Hospital has a defined contribution pension plan administered by Nationwide Investment Services Corporation as authorized by IC 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:

Nationwide Investment Services Corporation
1 Nationwide Plaza
Columbus, Ohio 43215-2220

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. The Hospital is required to contribute at an actuarially determined rate. The current rate is 8.4% to 12.7% of annual covered payroll. Employer contributions to the plan were \$839,646.

GREENE COUNTY GENERAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2010, with Jonas S. Uland, Executive Director, and Timothy W. Norris, Treasurer. Our audit disclosed no material items that warrant comment at this time.