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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 19, 2014

Board of Directors
Decatur County Memorial Hospital
720 Lincoln Street
Greensburg, IN 47240

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2012 to December 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Decatur County Memorial Hospital, as of December 31, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana

Auditor's Report and Financial Statements

December 31, 2012

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
December 31, 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees
Decatur County Memorial Hospital
Greensburg, Indiana

We have audited the accompanying financial statements of Decatur County Memorial Hospital, a component unit of Decatur County, Indiana, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Decatur County Memorial Hospital as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 as a whole. The detailed financial statements listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 10, 2013

Decatur County Memorial Hospital

A Component Unit of Decatur County, Indiana

Management's Discussion and Analysis

December 31, 2012

Introduction

This management's discussion and analysis of the financial performance of Decatur County Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2012 and 2011. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments increased in 2012 by \$553,555, or 3%.
- The Hospital's net position increased in 2012 by \$3,758,620, or 8.3%.
- The Hospital reported operating income in both 2012 (\$2,356,503) and 2011 (\$1,572,752). The operating income in 2012 increased by \$783,751, or 49.8%, over the operating income reported in 2011.
- Net nonoperating revenues increased by \$256,418, or 51.3% in 2012 compared to 2011.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets. The Hospital's net position increased by \$3,758,620, or 8.3% in 2012 over 2011, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	<u>2012</u>	<u>2011</u>
Assets		
Patient accounts receivable, net	\$ 7,610,098	\$ 6,984,705
Other current assets	17,082,015	15,675,059
Capital assets, net	28,290,903	24,824,852
Other noncurrent assets	5,107,877	4,576,021
Total assets	<u>\$ 58,090,893</u>	<u>\$ 52,060,637</u>
Liabilities		
Long-term debt	\$ 4,139,947	\$ 3,257,510
Other current and long-term liabilities	4,916,163	3,526,964
Total liabilities	<u>9,056,110</u>	<u>6,784,474</u>
Net Position		
Net investment in capital assets	24,150,956	21,692,386
Restricted	2,376,636	882,065
Unrestricted	22,507,191	22,701,712
Total net position	<u>49,034,783</u>	<u>45,276,163</u>
Total liabilities and net position	<u>\$ 58,090,893</u>	<u>\$ 52,060,637</u>

A significant change in the Hospital's assets in 2012 is the increase in patient accounts receivable by \$625,393 (9.0%). This is consistent with an increase in net patient service revenues in 2012 by \$6,299,855 (15.0%).

The most significant change in the Hospital's financial position in 2012 was the increase in capital assets during 2012 of \$3,466,051, which was primarily the result of the expansion and construction project in process in 2012.

Additionally, for the significant ongoing expansion, the Hospital issued new debt during 2012 with \$1,118,745 out of an available \$8,000,000 drawn as of December 31, 2012.

Operating Results and Changes in the Hospital's Net Position

In 2012, the Hospital's net position increased by \$3,758,620, or 8.3% , as shown in Table 2. This increase is made up of several different components and represents an increase of 78.4% compared with the increase in net position for 2011 of \$2,106,594, or 4.9%.

Table 2: Operating Results and Changes in Net Position

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Net patient service revenue	\$ 48,328,396	\$ 42,028,541
Other operating revenue	987,764	1,230,584
Total operating revenue	<u>49,316,160</u>	<u>43,259,125</u>
Operating Expenses		
Salaries and wages and employee benefits	28,089,390	26,309,486
Purchased services and professional fees	5,422,416	4,615,906
Depreciation and amortization	2,349,585	2,404,038
Other operating expenses	11,098,266	8,356,943
Total operating expenses	<u>46,959,657</u>	<u>41,686,373</u>
Operating Income	<u>2,356,503</u>	<u>1,572,752</u>
Nonoperating Revenue (Expenses)		
Investment income	653,527	290,452
Interest expense	(158,670)	(178,354)
Noncapital grants and contributions	339,927	261,377
Noncapital appropriations - Decatur County	108,000	108,000
Other	(186,282)	18,609
Total nonoperating revenue	<u>756,502</u>	<u>500,084</u>
Capital Grants and Contributions	<u>645,615</u>	<u>33,758</u>
Increase in Net Position	<u>\$ 3,758,620</u>	<u>\$ 2,106,594</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating income. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Decatur County and the surrounding area. The Hospital implements strong cost controls to provide sufficient resources to enable the Hospital to serve lower income and other residents.

The operating income for 2012 increased by \$783,751, or 49.8%, as compared to 2011. The primary components of the increased operating income are:

- An increase in net patient service revenue of \$6,299,855, or 15.0%.
- An increase in salaries, wages and employee benefits for the Hospital's employees of \$1,779,904, or 6.8%.
- An increase in other operating expenses of \$2,741,323, or 32.8%, primarily for Indiana's new Medicaid provider assessment program as discussed in the attached notes to the financial statements.

Net patient service revenue increased because of an increase in patient days of 374, or 11.4% from 2011 to 2012. Also, overall outpatient visits and procedures increased from 2011 to 2012. Additionally, during 2012, Indiana implemented a new supplemental payment mechanism for the Medicaid program. This change resulted in additional patient revenue of approximately \$3.4 million. This increase was partially offset by the additional provider assessment fee of \$1.5 million paid beginning in 2012, which is reflected as an operating expense as noted below.

Employee salaries and wages and benefits increased in 2012 in connection with the Hospital's retention and recruitment efforts. These efforts result primarily from the shortage of nurses and other health care professionals in the United States.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. Expenditures for medical supplies and prescription drugs are a major component of the Hospital's costs. In 2012, medical supplies and prescription drug costs totaled \$4,476,943, or 9.5%, of total operating expenses. In 2011, they totaled \$3,979,033, or 9.5%, of total operating expenses. Some of the major factors contributing to the increased medical supply and drug costs include an aging population, the introduction of new drugs that cannot be obtained in generic form, changes in therapeutic mix and pharmaceutical marketing.

The operating income for 2012 of \$2,356,503 was comparable to the operating income of \$1,572,752 recognized in 2011. The increase in net patient service revenue of \$6,299,855 was significantly offset by increases in employee salaries and wages along with other operating expenses. The increase in other operating expenses of \$2,741,323 was primarily related to payments made under the newly implemented state specific provider assessment program. During 2012, the Hospital recognized \$1,497,105 of assessment fees paid into the supplemental Medicaid program. Additionally, as discussed above, drug costs increased by \$497,910, or 12.5% in 2012.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, noncapital grants and interest expense, all of which remained relatively constant in 2012 as compared to 2011, with the exception of investment income. The Hospital recognized an increase in its investment return in 2012 compared to 2011, resulting primarily from favorable changes in interest rates on short- and intermediate-term debt securities.

Capital Grants and Contributions

The Hospital received gifts of \$645,615 from organizations and various individuals as part of the capital campaign in process during 2012 for significant additions and renovations being done to the Hospital to further serve the community. These funds are held as restricted portion of net position at year end until the funds are fully collected and utilized for the capital project.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2012 and 2011, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the Hospital had \$28,290,903 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2012, the Hospital spent significant funds as part of the Hospital renovations and additions as discussed throughout the notes to these financial statements. By the fall of 2013, the Hospital plans to open the expanded and renovated portion of the Hospital facilities.

Debt

At December 31, 2012, the Hospital had \$4,139,947 in revenue bonds and capital lease obligations outstanding. During 2012, the Hospital issued new debt to assist in the financing of the ongoing capital expansion and renovation. With this issuance, the Hospital has access to \$8 million with \$1,118,745 drawn as of December 31, 2012.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by telephoning (812) 663-4331.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Balance Sheet
December 31, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 4,912,993	
Short-term investments	9,316,638	
Patient accounts receivable, net of allowance of \$4,036,898	7,610,098	
Contributions receivable	222,790	
Supplies	409,867	
Prepaid expenses and other assets	2,219,727	
Total current assets		\$ 24,692,113

Noncurrent Cash and Investments

Internally designated for capital improvements	2,844,739	
Held by trustee for debt service	1,621,005	
Restricted by bond agreements, contributors and grantors	268,766	
		4,734,510

Capital Assets, net

28,290,903

Other Assets

Deferred financing costs	108,722	
Contributions receivable	264,645	
		373,367

Total assets

\$ 58,090,893

Liabilities and Net Position

Current Liabilities

Current maturities of long-term debt	\$ 864,791	
Accounts payable	2,426,155	
Accrued expenses	2,265,590	
Estimated third-party settlements	224,418	
Total current liabilities		\$ 5,780,954

Long-Term Debt

Total liabilities		3,275,156
		9,056,110

Net Position

Net investment in capital assets	24,150,956	
Restricted:		
For debt service	1,621,005	
Expendable for capital acquisitions	697,876	
Expendable for specific operating activities	57,755	
Unrestricted	22,507,191	
Total net position		49,034,783

Total liabilities and net position

\$ 58,090,893

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012

Operating Revenues

Net patient service revenue, net of provision for uncollectible accounts of \$7,083,007	\$ 48,328,396	
Other	987,764	
Total operating revenues		\$ 49,316,160

Operating Expenses

Salaries and wages	20,026,905	
Employee benefits	8,062,485	
Purchased services and professional fees	5,422,416	
Medical supplies and drugs	4,476,973	
Utilities	647,805	
Repairs and maintenance	1,579,719	
Lease and rentals	137,513	
Insurance	330,424	
Other supplies	692,288	
Depreciation and amortization	2,349,585	
Other	1,721,113	
Provider hospital assessment fee	1,497,105	
Loss on sale of capital assets	15,326	
Total operating expenses		46,959,657

Operating Income

2,356,503

Nonoperating Revenues (Expenses)

Investment income	653,527	
Interest expense	(158,670)	
Noncapital grants and contributions	339,927	
Noncapital appropriations - Decatur County	108,000	
Other	(186,282)	
Total nonoperating revenues (expenses)		756,502

Excess of Revenues Over Expenses Before Capital

Grants and Contributions		3,113,005
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Capital Grants and Contributions		645,615
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Increase in Net Position		3,758,620
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Net Position, Beginning of Year		45,276,163
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Net Position, End of Year		\$ 49,034,783
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Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statement of Cash Flows
Year Ended December 31, 2012

Operating Activities		
Receipts from and on behalf of patients	\$ 47,352,641	
Payments to suppliers and contractors	(15,979,224)	
Payments to employees	(27,460,488)	
Other receipts (payments), net	(524,496)	
Net cash provided by operating activities		\$ 3,388,433
Noncapital Financing Activities		
Noncapital grants and contributions	339,927	
Noncapital appropriations - Decatur County	108,000	
Net cash provided by noncapital financing activities		447,927
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,599,554)	
Capital grants and contributions	158,180	
Proceeds from disposal of property, plant and equipment	40,122	
Proceeds from issuance of long-term debt	1,118,745	
Principal paid on long-term debt	(310,000)	
Principal paid on capital leases	(37,390)	
Interest paid on long-term debt and capital leases	(120,153)	
Net cash used in capital and related financing activities		(3,750,050)
Investing Activities		
Interest and dividends on investments	\$ 312,010	
Purchase of investments	(2,626,207)	
Proceeds from disposition of investments	1,140,767	
Other investing activities	(186,282)	
Net cash used in investing activities		(1,359,712)
Decrease in Cash and Cash Equivalents		(1,273,402)
Cash and Cash Equivalents, Beginning of Year		6,186,395
Cash and Cash Equivalents, End of Year		<u>\$ 4,912,993</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income		\$ 2,356,503
Depreciation and amortization		2,349,585
Loss on sale of capital assets		15,326
Provision for uncollectible accounts		7,083,007
Changes in operating assets and liabilities:		
Patient accounts receivable		(7,708,400)
Supplies and other current assets		(890,122)
Estimated third-party settlements		(365,688)
Accounts payable and accrued expenses		511,599
Other assets and liabilities		36,623
Net cash provided by operating activities		<u>\$ 3,388,433</u>
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets		\$ 74,460
Capital assets acquisitions included in accounts payable		1,204,771

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

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

Nature of Operations and Reporting Entity

Decatur County Memorial Hospital (Hospital) is an acute care hospital located in Greensburg, Indiana. The Hospital is a component unit of Decatur County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Decatur County area. It also operates a home health agency in the same geographic area.

During 2012, the Hospital adopted Statement of Governmental Accounting Standards Board (GASB) No. 61, *The Financial Reporting Entity*, which amended GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This Statement has been applied retrospectively and had no impact on the Hospital’s net position, changes in net position or financial reporting disclosures.

In accordance with this statement, the financial statements include the financial statements of the Decatur County Memorial Hospital Foundation (Foundation). The Foundation’s purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital, and has therefore been reported as a blended component unit.

Basis of Accounting and Presentation

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

During 2012, the Hospital adopted Statement of Governmental Accounting Standards Board (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This Statement has been applied retrospectively and had no impact on the Hospital’s net position, changes in net position or financial reporting disclosures.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

During 2012, the Hospital also adopted Statement of Governmental Accounting Standards Board (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement has been applied retrospectively and had no impact on the Hospital's net position, changes in net position or financial reporting disclosures other than changing terminology from net assets to net position.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012, cash equivalents consisted primarily of money market accounts with brokers.

Risk Management

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

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

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

Patient Accounts Receivable

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

During 2012, the Hospital changed its methodology for determining valuation of patient accounts receivable for certain payer classes. This change resulted in an increase in contractual allowances recognized during 2012 of approximately \$300,000.

Supplies

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

Capital Assets

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

Land improvements	5 - 25 years
Buildings and improvements	5 - 40 years
Equipment	5 - 25 years
Major moveable equipment	3 - 25 years
Vehicles	4 years

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date, and is therefore included in current liabilities.

Net Position

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

Net position of the Foundation is classified as either unrestricted or restricted. Restricted net positions are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital's charity care policy were \$2,160,348 for 2012.

Income Taxes

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

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509(a)(2) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files federal tax returns in the U.S. federal jurisdiction.

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals (CAH) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital has recognized incentive payment revenues earned for qualified EHR technology expenditures during 2012, which was the period during which management was reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how "allowable costs" are determined in paying CAHs for providing services to Medicare beneficiaries. The Hospital recorded revenue of \$830,000 from Medicaid and Medicare in 2012, which is included in other net patient service revenue in the statement of revenues, expenses and changes in net position.

Decatur County Memorial Hospital
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Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. A summary of payment arrangements include:

Medicare. The Hospital is designated by Medicare as a critical access hospital (CAH).

Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Approximately 39 percent of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital received approximately \$3.4 million during 2012 due to the enactment of a state specific provider assessment program to increase Medicaid payments to hospitals. This revenue is recorded within net patient service revenue in the statement of revenues, expenses and changes in net position for 2012. Approximately \$1.1 million of these increased payments were related to the Hospital's fiscal year 2011. The Hospital paid approximately \$1.5 million into this Medicaid program, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. Approximately \$500,000 of the payments to the Medicaid program were related to the Hospital's fiscal year 2011, but are included in 2012 as a result of when the assessment program was approved. There is no assurance this program will continue to be implemented in the future.

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

Decatur County Memorial Hospital
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Notes to Financial Statements
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Note 3: Deposits, Investments and Investment Income

Deposits

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

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20.

At December 31, 2012, the Hospital had the following investments and maturities:

Type	Fair Value	2012 Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 1,135,621	\$ 1,135,621	\$ -	\$ -	\$ -
Equity mutual funds	1,866,733	1,866,733	-	-	-
Fixed income mutual funds	4,802,688	4,802,688	-	-	-
U.S. Governmental securities	2,136,897	2,136,897	-	-	-
	<u>\$ 9,941,939</u>	<u>\$ 9,941,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 does not have a formal investment policy for interest rate risk.

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Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2012, the Hospital's investments were rated by Standard & Poor's or Moody's Investors Service as follows:

Type	Fair Value	AA	CCC	Not Rated
Money market mutual funds	\$ 1,135,621	\$ -	\$ -	\$ 1,135,621
Equity mutual funds	1,866,733	-	-	1,866,733
Fixed income mutual funds	4,802,688	28,995	33,465	4,740,228
U.S. Governmental securities	2,136,897	-	-	2,136,897
	<u>\$ 9,941,939</u>	<u>\$ 28,995</u>	<u>\$ 33,465</u>	<u>\$ 9,879,479</u>

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer. The Hospital's policy is to limit holdings in equities to 33%.

Summary of Carrying Values

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

	<u>2012</u>
Carrying value:	
Deposits	\$ 9,022,202
Investments	9,941,939
	<u>\$ 18,964,141</u>
Included in the following balance sheet captions:	
Cash and cash equivalents	\$ 4,912,993
Short-term investments	9,316,638
Noncurrent cash and investments	
Internally designated for capital improvements	2,844,739
Held by trustee for debt service	1,621,005
Restricted by bond agreements, contributors and grantors	268,766
	<u>\$ 18,964,141</u>

Decatur County Memorial Hospital
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Notes to Financial Statements
December 31, 2012

Investment Income

Investment income for the year ended December 31 consisted of:

	2012
Interest and dividend income	\$ 312,010
Net increase in fair value of investments	341,517
	\$ 653,527

Note 4: Patient Accounts Receivable

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

	2012
Medicare	\$ 1,456,784
Medicaid	557,626
Other third-party payers	3,663,054
Patients	5,969,532
	11,646,996
Less allowance for uncollectible accounts	4,036,898
	\$ 7,610,098

Decatur County Memorial Hospital
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Notes to Financial Statements
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Note 5: Capital Assets

Capital assets activity for the year ended December 31 was:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 905,928	\$ 249,357	\$ (27,648)	\$ -	\$ 1,127,637
Land improvements	375,980	8,407	-	-	384,387
Buildings and leasehold improvements	26,544,569	704,770	(52,867)	-	27,196,472
Equipment	2,400,273	62,712	(4,913)	-	2,458,072
Major moveable equipment	15,309,832	2,022,610	(686,245)	-	16,646,197
Vehicles	51,234	-	-	-	51,234
Construction in progress	994,191	2,830,929	-	-	3,825,120
	<u>46,582,007</u>	<u>5,878,785</u>	<u>(771,673)</u>	<u>-</u>	<u>51,689,119</u>
Less accumulated depreciation:					
Land improvements	274,293	21,970	-	-	296,263
Buildings and leasehold improvements	8,801,535	815,833	(40,017)	-	9,577,351
Equipment	1,379,121	125,477	(4,913)	-	1,499,685
Major moveable equipment	11,265,995	1,389,713	(671,295)	-	11,984,413
Vehicles	36,211	4,293	-	-	40,504
	<u>21,757,155</u>	<u>2,357,286</u>	<u>(716,225)</u>	<u>-</u>	<u>23,398,216</u>
Capital assets, net	<u>\$ 24,824,852</u>	<u>\$ 3,521,499</u>	<u>\$ (55,448)</u>	<u>\$ -</u>	<u>\$ 28,290,903</u>

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$1,000,000, and an individual policy maximum of \$50,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

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Activity in the Hospital's accrued employee health claims liability during 2012 is summarized as follows:

	2012
Balance, beginning of year	\$ 495,000
Current year claims incurred and changes in estimates for claims incurred in prior years	3,276,214
Claims and expenses paid	(3,371,214)
Balance, end of year	\$ 400,000

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the year ended December 31:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds payable:					
First mortgage refunding bonds, series 2011	\$ 3,337,500	\$ -	\$ (310,000)	\$ 3,027,500	\$ 617,500
Capital improvement bond, series 2012	-	1,118,745	-	1,118,745	218,663
Deferred amounts					
Plus: bond premium	171,945	-	(18,474)	153,471	-
Less: loss on refunding	(326,403)	-	55,096	(271,307)	-
Capital lease obligations	74,468	74,460	(37,390)	111,538	28,628
Total long-term debt	\$ 3,257,510	\$ 1,193,205	\$ (310,768)	\$ 4,139,947	\$ 864,791

First Mortgage Refunding Bonds, Series 2011

The First Mortgage Refunding Bonds, Series 2011 (Series 2011 Bonds) consist of bonds payable in the original amount of \$5,595,000 dated December 1, 2011, issued by the Decatur County Hospital Association (Association). These bonds were made up of two components referred to as: a) 2011 lease revenue refunding bonds and b) 2011 revenue refunding bonds. The Hospital entered into an agreement with the Association where the Hospital would be responsible for 50% of principal and interest on the 2011 lease revenue refunding bonds totaling \$4,515,000. The County is responsible for the remaining 50% of principal and interest payments on these bonds. The bonds are payable in semiannual installments through January 2019 and bear interest at 2.0% to 4.0%. The total liability recorded by the Hospital at December 31, 2012 related to these bonds was \$2,107,500.

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The Hospital also entered into an agreement with the Association where the Hospital would be responsible for 100% of the principal and interest of the 2011 revenue refunding bonds totaling \$1,080,000. These bonds are payable in semiannual installments through June 2015 and bear interest at 2.0% to 4.0%. The liability recorded by the Hospital at December 31, 2012 related to these bonds was \$920,000.

The Hospital is required to make monthly deposits to the debt service fund held by the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheet. The Series 2011 Bonds are not subject to optional redemption prior to maturity. The Series 2011 Bonds are secured by the net revenues and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement.

Upon issuance and delivery of the Series 2011 Bonds, the Hospital defeased its outstanding 2002 bonds in the total principal amount of \$5,960,000. Proceeds from the Bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the defeased bonds. This advance refunding transaction resulted in an extinguishment of debt since the Hospital was legally released from its obligation on the 2002 bonds at the time of the defeasance. Accordingly, the 2002 bonds, aggregating \$2,070,000 at December 31, 2012, remain outstanding, but are excluded from the Hospital's balance sheet. These remaining bonds were called in full by the trustee January 15, 2013.

Capital Improvements Bond, Series 2012

The Capital Improvements Bond, Series 2012 (Series 2012 Bond) consist of bonds payable in the original amount up to \$8,000,000 dated August 1, 2012, issued by the Hospital. The bond was issued to fund certain expansions of the Hospital described in Note 11. During the construction phase, bond advances are made to fund the costs of the construction project. The bond is payable in monthly installments through June 2028 and bears interest at 2.65%. The total liability recorded by the Hospital at December 31, 2012 related to these bonds was \$1,118,745, which represents the cumulative draws through December 31, 2012.

The Hospital is required to make monthly deposits to the debt service fund held by the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheet. The Hospital is also required to comply with certain restrictive covenants including maintaining a historical debt-service coverage ratio of at least 1.5 to 1, maintenance of minimum working capital of \$8,000,000 and maintenance of a current ratio of at least 2.0 to 1.

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December 31, 2012

The debt service requirements as of December 31, 2012, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2013	\$ 1,026,947	\$ 836,163	\$ 190,784
2014	1,319,856	1,051,105	268,751
2015	1,317,561	1,078,977	238,584
2016	354,063	322,500	31,563
2017	355,988	335,000	20,988
2018 - 2022	<u>540,206</u>	<u>522,500</u>	<u>17,706</u>
	<u><u>\$ 4,914,621</u></u>	<u><u>\$ 4,146,245</u></u>	<u><u>\$ 768,376</u></u>

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 5.7% to 6.1% together with the present value of the future minimum lease payments as of December 31, 2012:

2013	\$ 34,846
2014	35,658
2015	26,695
2016	17,830
2017	<u>10,007</u>
Total minimum lease payments	125,036
Less amount representing interest	<u>13,498</u>
 Present value of future minimum lease payments	 <u><u>\$ 111,538</u></u>

Assets under capital leases at December 31, 2012, totaled:

	<u>2012</u>
Machinery and equipment	\$ 154,008
Accumulated depreciation	<u>(46,443)</u>
	<u><u>\$ 107,565</u></u>

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

Note 9: Pension Plan

The Hospital contributes to a defined-contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Hospital Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. The Hospital is required to match 100% of the employee contribution up to 1% of employee's compensation. In addition, the Hospital may make a discretionary contribution as determined by the Hospital Board, which was 3% for 2012. Hospital expense related to the employer contributions to the plan was \$671,250 for 2012.

Note 10: Risks and Uncertainties

Current Economic Conditions

The current economic environment presents hospitals with unprecedented circumstances and challenges, which, in some cases, have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2012

Note 11: Commitments and Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Construction Management Agreement

In June, 2012, the Hospital and Pepper Construction entered into a construction management agreement for construction of a new medical and surgical unit at the Hospital with a guaranteed maximum price of approximately \$8,500,000. Construction on the building commenced in 2012 and continues currently, with an estimated date of September 2013 for final completion of the project construction. Through December 31, 2012, approximately \$2,000,000 has been paid (or included in accounts payable) to Pepper Construction under this construction management agreement.

Note 12: Contributions Receivable

Contributions receivable consisted of the following:

	Temporarily Restricted 2012
Due within one year	\$ 222,790
Due in one to five years	264,645
	\$ 487,435

Note 13: Noncapital Appropriates - Decatur County

Decatur County, of which the Hospital is a component unit, subsidized the Hospital for providing the County with ambulance service. The Hospital recognizes these payments as nonoperating revenue. The Hospital recognized subsidy revenue of \$108,000 for 2012.

Decatur County Memorial Hospital
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December 31, 2012

Note 14: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Indiana has not affirmatively indicated whether or not it will participate in the expansion of the Medicaid program. The impact of that decision on the overall reimbursement to the Hospital cannot be quantified at this point.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

Supplementary Information

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Detailed Balance Sheet Information
December 31, 2012

	Hospital			Total
	Hospital	Foundation	Eliminations	
Assets				
Current Assets				
Cash and cash equivalents	\$ 4,650,635	\$ 262,358	\$ -	\$ 4,912,993
Short-term investments	9,060,163	256,475	-	9,316,638
Patient accounts receivable, net of allowance of \$4,036,898	7,610,098	-	-	7,610,098
Contributions receivable	-	222,790	-	222,790
Supplies	409,867	-	-	409,867
Prepaid expenses and other assets	2,219,727	-	-	2,219,727
Due from related party	23,697	-	(23,697)	-
Total current assets	<u>23,974,187</u>	<u>741,623</u>	<u>(23,697)</u>	<u>24,692,113</u>
Noncurrent Cash and Investments				
Internally designated for capital improvements	2,844,739	-	-	2,844,739
Held by trustee for debt service	1,621,005	-	-	1,621,005
Restricted by bond agreements, contributors and grantors	56,594	212,172	-	268,766
	<u>4,522,338</u>	<u>212,172</u>	<u>-</u>	<u>4,734,510</u>
Capital Assets, net	<u>28,290,903</u>	<u>-</u>	<u>-</u>	<u>28,290,903</u>
Other Assets				
Deferred financing costs	108,722	-	-	108,722
Contributions receivable	-	264,645	-	264,645
	<u>108,722</u>	<u>264,645</u>	<u>-</u>	<u>373,367</u>
Total assets	<u>\$ 56,896,150</u>	<u>\$ 1,218,440</u>	<u>\$ (23,697)</u>	<u>\$ 58,090,893</u>
Liabilities and Net Position				
Current Liabilities				
Current maturities of long-term debt	\$ 864,791	\$ -	\$ -	\$ 864,791
Accounts payable	2,385,567	40,588	-	2,426,155
Accrued expenses	2,265,590	-	-	2,265,590
Estimated third-party settlements	224,418	-	-	224,418
Due to related party	-	23,697	(23,697)	-
Total current liabilities	<u>5,740,366</u>	<u>64,285</u>	<u>(23,697)</u>	<u>5,780,954</u>
Long-Term Debt	<u>3,275,156</u>	<u>-</u>	<u>-</u>	<u>3,275,156</u>
Total liabilities	<u>9,015,522</u>	<u>64,285</u>	<u>(23,697)</u>	<u>9,056,110</u>
Net Position				
Net investment in capital assets	24,150,956	-	-	24,150,956
Restricted:				
For debt service	1,621,005	-	-	1,621,005
Expendable for capital acquisitions	-	697,876	-	697,876
Expendable for specific operating activities	56,977	778	-	57,755
Unrestricted	<u>22,051,690</u>	<u>455,501</u>	<u>-</u>	<u>22,507,191</u>
Total net position	<u>47,880,628</u>	<u>1,154,155</u>	<u>-</u>	<u>49,034,783</u>
Total liabilities and net position	<u>\$ 56,896,150</u>	<u>\$ 1,218,440</u>	<u>\$ (23,697)</u>	<u>\$ 58,090,893</u>

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Detailed Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2012

	Hospital	Hospital Foundation	Total
Operating Revenues			
Net patient service revenue, net of provision for uncollectible accounts of \$7,083,007	\$ 48,328,396	\$ -	\$ 48,328,396
Other	987,764	-	987,764
Total operating revenues	<u>49,316,160</u>	<u>-</u>	<u>49,316,160</u>
Operating Expenses			
Salaries and wages	20,026,905	-	20,026,905
Employee benefits	8,062,485	-	8,062,485
Purchased services and professional fees	5,422,416	-	5,422,416
Medical supplies and drugs	4,476,973	-	4,476,973
Utilities	647,805	-	647,805
Repairs and maintenance	1,579,719	-	1,579,719
Lease and rentals	137,513	-	137,513
Insurance	330,424	-	330,424
Other supplies	692,288	-	692,288
Depreciation and amortization	2,349,585	-	2,349,585
Other	1,721,113	-	1,721,113
Provider hospital assessment fee	1,497,105	-	1,497,105
Loss on sale of capital assets	15,326	-	15,326
Total operating expenses	<u>46,959,657</u>	<u>-</u>	<u>46,959,657</u>
Operating Income	<u>2,356,503</u>	<u>-</u>	<u>2,356,503</u>
Nonoperating Revenues (Expenses)			
Investment income	617,589	35,938	653,527
Interest expense	(158,670)	-	(158,670)
Noncapital grants and contributions	206,413	133,514	339,927
Noncapital appropriations - Decatur County	108,000	-	108,000
Other	(29,426)	(156,856)	(186,282)
Total nonoperating revenues (expenses)	<u>743,906</u>	<u>12,596</u>	<u>756,502</u>
Excess of Revenues Over Expenses Before Capital			
Grants and Contributions	3,100,409	12,596	3,113,005
Capital Grants and Contributions	<u>-</u>	<u>645,615</u>	<u>645,615</u>
Increase in Net Position	3,100,409	658,211	3,758,620
Net Position, Beginning of Year	<u>44,780,219</u>	<u>495,944</u>	<u>45,276,163</u>
Net Position, End of Year	<u>\$ 47,880,628</u>	<u>\$ 1,154,155</u>	<u>\$ 49,034,783</u>