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

FINANCIAL STATEMENTS AUDIT REPORT

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

January 1, 2013 to December 31, 2013

FILED
04/16/2015

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SCHEDULE OF OFFICIALS

Office	Official	Term
Chief Executive Officer	Tim Norris, Interim	01-01-13 to 04-30-13
	Brenda Reetz	05-01-13 to 12-31-15
Chief Financial Officer	Tim Norris	01-01-13 to 05-31-13
	April Settles	06-01-13 to 12-31-15
Chairman of the Hospital Board	Harry Huber	01-01-13 to 12-31-15
President of the Board of County Commissioners	Rick Graves	01-01-13 to 12-31-14
	Nate Abrams	01-01-15 to 12-31-15

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Greene County General Hospital (Hospital), a component unit of Greene County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Hospital's internal control. Accordingly, we express no such opinion. An audit 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities

The Hospital's financial statements do not include financial data for the Hospital's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Hospital's primary government unless the Hospital also issues financial statements for the financial reporting entity that include the financial data for its component units. The Hospital has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets liabilities, net position, revenues, and expenses of the aggregate discretely presented component units would have been presented as $1,081,600, $138,125, $943,476, $2,810,929, and $4,686,485, respectively. In addition, the assets, liabilities, net position, revenues, and expenses of the business-type activities would have increased by $441,482, $1,365, $440,116, $101,108, and $149,871, respectively.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities* paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Hospital, as of December 31, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

March 2, 2015

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Hospital. The financial statements and notes are presented as intended by the Hospital.

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF NET POSITION
December 31, 2013

Assets	Primary Government
Current assets:	
Cash and cash equivalents	$ 3,889,713
Patient accounts receivable, net of estimated uncollectibles of $25,189,763	5,134,413
Supplies and other current assets	1,819,818
Other Non-patient accounts receivable	137,191
IGT/UPL receivable	359,123
Due from Home Healthcare Agency	44,849
Due from Greene County General Hospital LLC	6,856
Total current assets	11,391,964
Noncurrent cash and investments:	
Investments	214,365
Held by trustee for debt service	639,148
	853,513
Capital assets:	
Land and construction in progress	1,185,568
Depreciable capital assets, net of accumulated depreciation	9,588,389
Total assets	$ 23,019,434
Liabilities and Net Position	
Current liabilities:	
Accounts payable and accrued expenses	$ 3,605,632
Estimated third-party payor settlements	1,448,696
Current portion of long term debt	240,492
Total current liabilities	5,294,820
Long term debt	8,917,995
Total liabilities	14,212,815
Net position:	
Invested in capital assets, net of related debt	10,773,957
Unrestricted	(1,967,338)
Total net position	8,806,619
Total liabilities and net position	$ 23,019,434

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

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2013

	Primary Government
Operating revenues:	
Net patient service revenue, net of provision for bad debt of $20,667,243	$ 16,913,628
Other	3,590,587
Total operating revenues	20,504,215
Operating expenses:	
Salaries and benefits	15,964,073
Purchased services and professional fees	3,478,652
Medical supplies and drugs	2,591,644
Insurance	294,217
Other supplies	5,320,644
Depreciation and amortization	772,453
Other expenses	4,703,081
Total operating expenses	33,124,764
Operating loss	(12,620,549)
Nonoperating revenues (expenses):	
Investment income	47,871
Contributions	10,030
Total nonoperating revenues	57,901
Deficit of revenues over expenses	(12,562,648)
Contributions to related organizations	(5,353,483)
Decrease in net position	(17,916,131)
Net position beginning of the year	26,722,750
Net position end of the year	$ 8,806,619

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, 2013

	2013
Cash flows from operating activities:	
Receipts from and on behalf of patients	$ 30,074,353
Payments to suppliers and contractors	(9,218,504)
Payments to employees	(15,915,344)
Other receipts and payments, net	(1,077,191)
Net cash provided by operating activities	3,863,314
Cash flows from noncapital financing activities:	
Noncapital grants and gifts	10,030
Net cash provided by noncapital financing activities	10,030
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,938,496)
Proceeds from issuance of long-term debt	8,945,000
Capital leases	218,694
Contributions to related organizations	(5,353,481)
Principal paid on long-term debt	(5,207)
Net cash used by capital and related financing activities	(4,133,490)
Cash flows from investing activities:	
Interest and dividends on investments	49,562
Proceeds from sale of investments	-
Net cash provided by investing activities	49,562
Net decrease in cash and cash equivalents	(210,584)
Cash and cash equivalents at beginning of year	4,100,297
Cash and cash equivalents at end of year	$ 3,889,713
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents in current assets	$ 3,889,713
Restricted cash and cash equivalents	-
Total cash and cash equivalents	$ 3,889,713
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	$ (12,620,549)
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	772,453
Provision for bad debts	20,667,243
Changes in operating assets and liabilities	
Patient accounts receivable, net	(7,506,518)
Accounts payable and accrued expenses	2,274,082
Estimated third-party payor settlements	1,817,529
Other assets and liabilities	(1,540,926)
Net cash provided by operating activities	$ 3,863,314

The accompanying notes are an integral part of the 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, Greene County Health - Linton, Greene County Health - Bloomfield, Greene County Health - Lone Tree, and Greene County Health - WestGate), 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 of America. Books and records are maintained at the following principal offices:

Greene County General Hospital Foundation, Inc.
2127 East Highway 54
Linton, Indiana 47441

Greene County Home Healthcare Agency, LLC
1185 North 1000 West
Linton, Indiana 47441

Greene County General Hospital, LLC (Greene County Health - Worthington, Greene County Health - Linton, Greene County Health - Bloomfield, Greene County Health - Lone Tree and Greene County Health - WestGate)
2127 East Highway 54
Linton, Indiana 47441

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.

C. Assets, Liabilities, and Net Position

1. Deposits and Investments

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

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

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

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 Position.

2. 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.

3. Capital Assets

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

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

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

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

4. Net Position

Net Position of the Hospital is classified in two components.

The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The unrestricted component of net position is the net amount of the assets, and liabilities, that are not included in the determination of net investment in capital assets.

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 Position 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.

G. 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 2013, management changed its methodology for estimating the allowances for uncollectible accounts. The results of this methodology change resulted in a reduction of net patient service revenue in the amount of $15,749,349.

H. Charity Care

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

I. Supplies

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

J. 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 percent 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.

K. 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. In addition, the Hospital is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

L. Long-Term Nursing Facilities

During October 2013, the Hospital acquired a nursing home operation through the execution of a licensing agreement, management agreement and lease agreement with a third party. The nature of the agreements provides the Hospital the rights to all operating assets, government provider numbers and real estate. In connection with these agreements, the Hospital simultaneously entered into a management agreement with a third party to execute the operations of the nursing home. The agreements have cancellation clauses, without cause, given appropriate notice. As the Hospital is a non-state government-owned hospital, it is entitled to certain special Medicaid payments, which are reflected in the balance sheets and statements of revenues, expenses and changes in net position.

M. Change in Accounting Policy

During 2013, the Hospital adopted GASB Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported as Asset and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in the financial statement presentations. Adoption of GASB 65 resulted in a decrease of $298,280 in net position for the year ending December 31, 2013. This is a result of the requirement in GASB 65 that debt issuance costs be recognized as an expense in the period incurred.

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, 2013, the bank balance held at Hilliard Lyons in the amount of $14,207 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

At January 1, 2013, internally designated cash and cash equivalents of $216,056 were reclassified as investments because it was determined that the money was never designated by the Board and is available for any use.

Authorization for investment activity is stated in Indiana Code 16-22-3-20. As of December 31, 2013, the Hospital had the following investments:

Investment Type	Market Value
Cash Equivalents	$ 14,207
Mutual Funds	200,158
Total Investments	$ 214,365

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, 2013, the Hospital held investments in mutual funds in the amount of $214,365.

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 for investments.

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. The Hospital does not have a formal investment policy for credit risk for investments.

Standard and Poor's Rating	Moody's Rating	Mutual Funds
Unrated	Unrated	$ 200,158

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.

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 carrier	$ 23,856,207
Receivable from Medicare	4,911,907
Receivable from Medicaid	1,556,062
Total patient accounts receivable	30,324,176
Less allowance for uncollectible amounts	25,189,763
Patient accounts receivable, net	$ 5,134,413

Accounts Payable and Accrued Expenses

Payable to employees (including payroll taxes)	$ 1,162,256
Payable to suppliers	2,443,376
Total accounts payable and accrued expenses	$ 3,605,632

C. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

Primary Government	Beginning Balance	Additions	Disposals	Transfer	Ending Balance
Capital assets, not being depreciated:					
Land	$ 759,198	$ -	$ -	$ -	$ 759,198
Construction in progress	458,280	6,749,938	-	(6,781,484)	426,370
Total capital assets, not being depreciated	1,217,478	6,749,938	-	(6,781,848)	426,370
Capital assets, being depreciated:					
Land improvements	425,781	-	-	264,115	689,896
Buildings and improvements	7,173,272	2,191	(32,569)	3,460,583	10,603,477
Equipment	4,752,969	1,186,367	(81,450)	3,057,150	8,915,036
Totals	12,352,022	1,191,558	(114,019)	6,781,848	20,208,409
Less accumulated depreciation for:					
Land improvements	397,736	24,989	-	-	422,725
Buildings and improvements	5,899,932	341,418	(32,569)	-	6,208,781
Equipment	3,663,918	406,046	(81,450)	-	3,988,514
Totals	9,961,586	772,453	(114,019)	-	10,620,020
Total capital assets, being depreciated, net	2,390,436	416,105	-	6,781,848	9,588,389
Total primary government capital assets, net	$ 3,607,914	$ 7,166,043	$ -	$ -	$ 10,773,957

D. Construction Commitments

In 2012, the Hospital entered into a construction project to renovate and expand ancillary departments. The departments included Pharmacy, Physical Therapy, Laboratory, Radiology, and the Emergency Room. Construction in progress totaled $426,370 at December 31, 2013. The Hospital completed their construction project in August 2014.

E. Leases

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through 2016. Total rental expense in 2013 for these operating leases was approximately $182,018.

Future minimum lease payments under operating leases as of December 31, 2013, were:

2014	$ 182,019
2015	32,092
2016	16,990
Total	$ 231,101

F. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

1. 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.

2. 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.

The Hospital also received approximately $1,170,000 during 2013 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. The Hospital paid approximately $1,285,659 into this Medicaid program, which is recorded as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. There is no assurance this program will continue to be implemented in the future, and as of

December 31, 2013, this provider assessment program was awaiting federal approval to be continued past June 30, 2013. As a result, no estimate has been recorded for this program for possible additional revenue and expense that could be applicable to the Hospital for the period beginning July 1, 2013. Extension of this program received federal approval in March 2014, with a retroactive applicable date of July 1, 2013.

Approximately 64 percent of net patient service revenue in 2013 is from participation in the Medicare and state-sponsored Medicaid programs. 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 has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, 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.

G. Charity Care

Charges excluded from revenue under the Hospital's Charity Care policy were $1,573,237 for 2013.

H. Long-Term Obligations

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

	Beginning Balance	Amount	Deductions	Ending Balance	Current Portion
Long-term debt:					
Lease rental revenue refunding bonds payable (a)	$ -	$ 8,945,000	$ -	$ 8,945,000	$ 178,000
Capital lease obligations	-	218,694	5,207	213,487	62,484
Total long-term debt	$ -	$ 9,163,694	$ 5,207	$ 9,158,487	$ 240,492

(a) The Greene County Hospital Association Lease Rental Revenue Refunding Bonds (Bonds) were issued in the original amount of $8,945,000 dated December 24, 2013, which bear interest at 0.5 percent to 4.6 percent. The Bonds are payable in semiannual installments through 2042. The Bonds are secured by a lease between the Hospital and the Greene County Building Corporation. The lease rental payments required by the Hospital are secured by its net operating revenues. To the extent that the lease rental payments are insufficient, the Bonds are further secured by a debt service reserve fund, held by the trustee and an ad valorem property tax rate which would levied on all of the taxable property within Greene County. The Bonds have no required covenants.

The debt service requirements as of December 31, 2013, are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2014	$ 386,000	$ 178,008	$ 207,992
2015	641,000	295,029	345,971
2016	639,000	304,867	334,133
2017	640,000	318,179	321,821
2018	636,000	326,828	309,172
2019-2023	3,198,000	1,862,089	1,335,911
2024-2028	3,195,000	2,264,062	930,938
2029-2033	3,208,000	2,771,624	436,376
2034	643,000	624,314	18,686
	$ 13,186,000	$ 8,945,000	$ 4,241,000

Capital Lease Obligations

The Hospital is obligated under a lease for equipment that is accounted for as a capital lease. Assets under capital leases at December 31, 2013, totaled $215,049, net of accumulated depreciation of $3,645. Total future lease payments for this capital lease at December 31, 2013, are $213,487, which is to be paid through 2017.

Line of Credit

The Hospital has a $3,000,000 bank line of credit. The line bears interest at prime. It is secured by the Hospital's patient accounts receivable. At December 31, 2013, the outstanding balance was $0.

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. At December 31, 2013, the Hospital had an excess policy through commercial insurance that covered individual claims in excess of $60,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to the General Fund. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

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

However, claim liabilities cannot be reasonably estimated.

B. Contingent Liabilities

Litigation

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

C. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Estimated Third-Party Payor Settlements

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

D. Fair Value Measurements

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

Investments recorded in the statement of 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 that 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, 2013, are classified as follows:

		Fair Value Measurements at Reporting Date Using:		
Investment Type	12-31-13	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 214,365	$ 214,365	$ -	$ -

E. Pension Plan

Defined Contribution Pension Plan

Plan Description

The Hospital has a defined contribution pension plan administered by Voya Financial as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement and can be amended 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:

Voya Financial
One Orange Way
Windsor, CT 06095-4774

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established and can be amended by the written agreement between the Hospital Board of Trustees and the Plan Administrator. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan's rate as of December 31, 2013, was 8.4 percent to 12.7 percent of annual covered payroll. Employer contributions were $920,696 which fully funded the employee's accounts in the plan for the year ended December 31, 2013.

F. 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 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. That the State of Indiana has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Hospital's reduced revenue from other Medicare/Medicaid programs.

G. Contributions to Related Organizations

During 2013, the Hospital provided financial support to its controlled entities which was recognized in the financial statements as an adjustment to equity. The financial support provided to Greene County General Hospital Foundation, Inc., Greene County Home Healthcare Agency, LLC, and Greene County General Hospital, LLC totaled $25,000, $512,278, and $1,535,800, respectively. Additionally, the Hospital wrote off $4,670,481 of accounts receivable from these three entities in 2013. The total effect of these transactions on the Hospital's equity for the year ended December 31, 2013, was $5,353,481.

H. Subsequent Events

Pension Plan

Effective July 6, 2014, the contribution of the Defined Contribution Pension Plan was changed to a rate of 5 percent of a participant's compensation for the plan year for each participant who is employed by the Hospital.

Compliance Matters

As a Medicare participating provider, the Hospital routinely assesses its compliance with a comprehensive framework of state and federal regulatory requirements. On October 10, 2014, the Hospital self-disclosed a regulatory compliance matter to the Centers for Medicare and Medicaid Services ("CMS") of the U.S. Department of Health and Human Services that involves technical compliance with certain requirements related to a very limited number of physician financial relationships. These technical errors were discovered by the Hospital during a review of its various physician financial arrangements. This matter is still in the fact-finding stage with CMS. At this time, we have not yet entered into any settlement discussions with CMS and can offer no assessment as to the potential damages that CMS may assess against the Hospital to resolve this matter.

Skilled Nursing Facilities

Effective November 1, 2014, the Hospital acquired two additional skilled nursing facilities through the execution of a licensing agreement, management agreement, and lease agreement with a third party. Under the terms of the management agreement a third party will manage the operations of the skilled nursing facilities.