B40693

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

AUDIT REPORT
OF

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

January 1, 2011 to December 31, 2011

FILED
08/09/2012

TABLE OF CONTENTS

Description	Page
Hospital Officials	2
Independent Auditor's Report	3
Management's Discussion and Analysis	4-7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows - Restricted and Unrestricted Funds	10
Notes to Financial Statements	11-22
Audit Result and Comment:	
Supporting Documentation	23
Exit Conference	24

HOSPITAL OFFICIALS

Office	Official	Term
Executive Director	Jonas Uland	01-01-11 to 12-31-12
Treasurer	Tim Norris	01-01-11 to 12-06-12
Chairman of the Hospital Board	Ralph Hiatt	01-01-11 to 12-31-12
President of the Board of County Commissioners	Steve Lindsey	01-01-11 to 12-31-12

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of Greene County General Hospital (Hospital) as of and for the year ended December 31, 2011, which collectively comprise the Hospital's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements referred to above do not include a number of component units of the Hospital which should have been included to fairly present the financial position of the Hospital.

In our opinion, except that the omission of the component units of the Hospital referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

STATE BOARD OF ACCOUNTS

July 25, 2012

Our discussion and analysis of Greene County General Hospital's (Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2011. Please read it in conjunction with the Hospital's financial statements.

Financial Highlights

- The Hospital's current assets have continued to grow to $25,815,217 while current liabilities are significantly lower than current assets at $3,288,728
- The Hospital's total net assets remained strong at December 31, 2011 with a balance of $ 25,941,076. This represents 88.7% of total liabilities and net assets.
- The Hospital purchased $264,053 of capital assets during 2011.

Using This Annual Report

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

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

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

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

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

The Statement of Cash Flows-Restricted and Unrestricted Funds

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

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the Statement of Net Assets. The Hospital's net assets increased in the past year by $ 2,109,215 as reported in Tables 1 and 2.

Table 1: Assets, Liabilities, and Net Assets

	2011	2010
Assets:		
Current assets	$25,815,217	$22,783,261
Capital assets, net	3,126,049	3,313,641
Other non-current assets	288,538	374,787
Total assets	$29,229,804	$26,471,689
Liabilities:		
Current liabilities	$ 3,288,728	$ 2,639,828
Total liabilities	$ 3,288,728	$ 2,639,828
Net assets:		
Invested in capital assets, net of related debt	$ 3,126,049	$ 3,313,641
Unrestricted	22,815,027	20,518,220
Total net assets	$25,941,076	$23,831,861

Table 2: Operating Results and Changes in Net Assets

	2011	2010
Operating revenues:		
Net patient service revenues, net of provision for bad debt	$24,411,380	$22,891,067
Other	1,440,935	1,484,362
Total operating revenues	25,852,315	24,375,429
Operating expenses:		
Salaries and benefits	15,227,662	13,179,487
Medical supplies and drugs	1,790,847	1,551,721
Depreciation and amortization	452,376	462,627
Other expenses	6,300,079	7,402,550
Total operating expenses	23,770,964	22,596,385
Operating income	2,081,351	1,779,044
Non-operating revenues and expenses:		
Investment income	27,133	61,031
Gain on disposals and contributions	731	(208,920)
Total non-operating revenues and expenses	27,864	(147,889)
Increase in net assets	2,109,215	1,631,155
Net assets beginning of year	23,831,861	22,200,706
Net assets end of year	$25,941,076	$23,831,861

Operating and Financial Performance

The following highlights the Hospital's performance during 2011.

Operating Income

A significant component of the overall change in the Hospital's net assets is its operating income, generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported operating income of $2,081,351 in 2011.

Revenue

- Net patient service revenue, net of provision for bad debt, increased $1,520,313 from 2010 to 2011. Other revenue decreased between 2010 and 2011 by $43,427**.**

- Provision for bad debt, which reduces net patient service revenue, has increased between years from $1,070,074 to $1,676,392 for the years ended December 31, 2010 and 2011, respectively**.**

- Excluded from net patient service revenue are charges for services waived under the Hospital's charity care policy. Charity care represents un-reimbursed charges incurred by the Hospital in providing un-compensated care to indigent patients. Based on established rates, gross charges of $1,068,420 were waived during 2011, a decrease of $164,836 over the amount allowed in 2010. The Hospital is committed to providing care for all patients without regard to their ability to pay.

Expense

- Total operating expense increased by only 5.2 % from 2010.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of interest income, investment earnings and losses and other non-operating revenues and expenses. Non-operating revenues decreased from $61,031 in 2010 to $27,133 in 2011 due primarily to interest income. Non-operating expenses decreased from $208,920 in 2010 to a gain of $731 in 2011 due to a gain on disposal of assets.

The Hospital's Cash Flows

The Hospital's operating cash flows have changed significantly between years as the net cash used by operating activities was $641,185 in 2011 while the net cash provided by operating activities was $520,418 in 2010. This significant decrease is mostly due to the change in operating income.

Capital Asset and Debt Administration

The Hospital had $3,126,049 invested in capital assets, net of accumulated depreciation, at the end of 2011.

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF NET ASSETS
December 31, 2011

Assets	Primary Government
Current assets:	
Cash and cash equivalents	$ 5,343,196
Patient accounts receivable, net of estimated uncollectibles of $16,272,343	16,493,584
Supplies and other current assets	369,032
Due from Home Healthcare Agency, net of estimated uncollectibles of $1,417,905	1,189,555
Due from Worthington Family Practice Clinic, net of estimated uncollectibles of $434,665	1,232,390
Due from Greene County General Hospital Foundation	305,217
Due from Greene County General Hospital LLC	404,690
Due from Greene County Health - Linton	340,000
Due from Greene County Health - Bloomfield	137,553
Noncurrent cash and investments:	
Internally designated	288,538
Capital assets:	
Land and construction in progress	807,335
Depreciable capital assets, net of accumulated depreciation	2,318,714
Total assets	$ 29,229,804
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 1,081,127
Estimated third-party payor settlements	1,834,976
Other current liabilities	372,625
Total liabilities	3,288,728
Net assets:	
Invested in capital assets, net of related debt	3,126,049
Unrestricted	22,815,027
Total net assets	25,941,076
Total liabilities and net assets	$ 29,229,804

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

GREENE COUNTY GENERAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2011

	Primary Government
Operating revenues:	
Net patient service revenue (net of provision for bad debt)	$ 24,411,380
Other	1,440,935
Total operating revenues	25,852,315
Operating expenses:	
Salaries and benefits	15,227,662
Medical professional fees	333,420
Medical supplies and drugs	1,790,847
Insurance	313,906
Other supplies	4,562,871
Depreciation and amortization	452,376
Other expenses	1,089,882
Total operating expenses	23,770,964
Operating income	2,081,351
Nonoperating revenues (expenses):	
Investment income	27,133
Gain on Disposal of Assets	731
Total nonoperating revenues	27,864
Increase in net assets	2,109,215
Net assets beginning of the year	23,831,861
Net assets end of the year	$ 25,941,076

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, 2011

	2011
Cash flows from operating activities:	
Receipts from and on behalf of patients	$ 21,831,905
Payments to suppliers and contractors	(6,469,606)
Payments to employees	(15,561,082)
Other receipts and payments, net	(442,402)
Net cash provided by operating activities	(641,185)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(264,053)
Net cash used by capital and related financing activities	(264,053)
Cash flows from investing activities:	
Interest and dividends on investments	27,133
Net cash used by investing activities	27,133
Net increase in cash and cash equivalents	(878,105)
Cash and cash equivalents at beginning of year	6,509,839
Cash and cash equivalents at end of year	$ 5,631,734
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	$ 5,343,196
Restricted cash and cash equivalents	288,538
Total cash and cash equivalents	$ 5,631,734
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 2,081,351
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	452,376
Provision for bad debts	1,566,103
Increase in current assets:	
Patient accounts receivable	(4,145,578)
Supplies and other current assets	134,094
Due From Home Healthcare Agency	(153,064)
Due From Worthington Family Practice Clinic	(219,724)
Due From Greene County General Hospital Foundation	(123,400)
Related Party Receivable	(882,243)
Increase in current liabilities:	
Accounts payable and accrued expenses	43,534
Estimated third-party payor settlements	584,976
Other Current Liabilities	20,390
Net cash provided in operating activities	$ (641,185)

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, and Greene County Health-Bloomfield), 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.
124 East Indiana Avenue
Bloomfield, Indiana 47424

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

Greene County General Hospital, LLC (Worthington Family Practice Clinic, Greene County Health-Linton and Greene County Health-Bloomfield)
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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Hospital has elected to apply subsequent private-sector guidance.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Short-term investments are investments with remaining maturities of up to 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 nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

2. Use of Estimates

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

3. Capital Assets

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

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

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

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

4. Net Assets

Net assets of the Hospital are classified in two components.

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

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

D. Grants and Contributions

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

E. Restricted Resources

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

F. Operating Revenues and Expenses

The Hospital's Statement of Revenues, Expenses and Changes in Net Assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

G. 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. Net patient service revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

H. Premium Revenue

The Hospital had agreements with various health management organizations (HMO's) to provide medical services to subscribing participants. Under these agreements the HMO's make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

I. 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.

J. Supplies

Inventories of drugs and other supplies are stated at the lower of cost (first-in, first-first-out) or market.

K. 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.

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, 2011, the bank balance held at Hilliard Lyons in the amount of $14,138 was uncollateralized. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 16-22-3-20. As of December 31, 2011, the Hospital had the following investments:

Investment Type	Primary Government Market Value
Mutual Funds	$ 143,051

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, 2011, the Hospital held investments in mutual funds in the amount of $143,051.

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	$ 143,051

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 carriers	$28,561,723
Receivable from Medicare	3,481,394
Receivable from Medicaid	722,810
Total patient accounts receivable	32,765,927
Less allowance for uncollectible amounts	16,272,343
Patient accounts receivable, net	$16,493,584

Accounts Payable and Accrued Expenses

Payable to employees (including payroll taxes)	$ 694,733
Payable to suppliers	386,394
Total accounts payable and accrued expenses	$ 1,081,127

C. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 759,198	$ -	$ -	$ 759,198
Construction in progress	-	48,137	-	48,137
Total capital assets, not being depreciated	759,198	48,137	-	807,335
Capital assets, being depreciated:				
Land improvements	477,277	-	51,496	425,781
Buildings and improvements	7,255,970	-	-	7,255,970
Equipment	4,283,951	215,916	144,579	4,355,288
Totals	12,017,198	215,916	196,075	12,037,039
Less accumulated depreciation for:				
Land improvements	421,644	14,752	51,496	384,900
Buildings and improvements	5,460,055	262,480	-	5,722,535
Equipment	3,581,056	174,412	144,578	3,610,890
Totals	9,462,755	451,644	196,074	9,718,325
Total capital assets, being depreciated, net	2,554,443	(235,728)	1	2,318,714
Total primary government capital assets, net	$ 3,313,641	$ (187,591)	$ 1	$ 3,126,049

D. Construction Commitments

The Hospital has entered into a construction project to renovate and expand ancillary departments. The departments include Pharmacy, Physical Therapy, Laboratory, Radiology and the Emergency Room. Construction in progress expended to December 31, 2011, is $48,137.

E. Leases

1. Operating Leases

The Hospital has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for a CT scan, radiology equipment and software (PACS). Rental expenditures for these leases were $91,404, $121,536 and $94,164, respectively. The following is a schedule by years of future minimum rental payments as of year end:

2012	$ 182,556
2013	91,404
2014	91,404
Total	$ 365,364

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

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of 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 reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 45.38 percent and 4.22 percent, respectively, of the Hospital's net patient revenue for the year ended 2011, and 48.76 percent and 3.97 percent, respectively, of the Hospital's net patient revenue for the year ended 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2011 net patient service revenue increased approximately $165,024 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, HMO's, 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 $1,068,420 for 2011.

H. Internally Designated Assets

Noncurrent cash and investments internally designated include the following:

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

Internally designated:		
Funded Depreciation:		
Cash and cash equivalents	$	145,487
Investments		143,051
Total funded depreciation	$	288,538

III. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

The Hospital has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the General Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of $40,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to the General Fund. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

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

However, claim liabilities cannot be reasonably estimated.

B. Contingent Liabilities

Litigation

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

C. Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Short-Term Investments

The carrying amount reported in the Statement of Net Assets is the investment's fair value on the day it becomes a short-term investment.

Investments

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

Accounts Payable and Accrued Expenses

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

Estimated Third-Party Payor Settlements

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

D. Fair Value Measurements

The Hospital has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the

lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

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

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

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

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

Based upon the levels as defined the Hospital's investments as of December 31, 2011, are classified as follows:

		Fair Value Measurements at Reporting Date Using:		
Investment Type	12-31-11	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 143,051	$ 143,051	$ -	$ -

E. Pension Plan

Defined Contribution Pension Plan

Plan Description

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established 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 current rate is 8.4 percent to 12.7 percent of annual covered payroll. Employer contributions were $958,030 which fully funded the employee's accounts in the plan for the year ended December 31, 2011.

GREENE COUNTY GENERAL HOSPITAL
AUDIT RESULT AND COMMENT

SUPPORTING DOCUMENTATION

Several payments for credit card bills were observed which were not supported by adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 1)

GREENE COUNTY GENERAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2012, with Tim Norris, Treasurer, and Jonas Uland, Executive Director. The officials concurred with our audit finding.