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February 16, 2016

Board of Trustees  
Greene County General Hospital  
1185 North 1000 West  
Linton, IN 47441

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. 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 Greene County General Hospital, as of December 31, 2014 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.

We call your attention to the finding in the report classified as a significant deficiency in internal control and is referenced in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Balance Sheet Statements Performed in Accordance With *Government Auditing Standards*.

  
Paul D. Joyce, CPA  
State Examiner

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
Auditor's Report and Financial Statements  
December 31, 2014

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**December 31, 2014**

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## Independent Auditor's Report

Board of Trustees  
Greene County General Hospital  
Linton, Indiana

### Report on the Financial Statements

We have audited the accompanying balance sheet of Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, as of December 31, 2014, and were engaged to audit 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 basic 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 opinions on these financial statements based on our audit. Except as explained in the *Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows* paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Greene County Home Healthcare Agency, LLC, Greene County General Hospital, LLC, and Greene County General Hospital Foundation, Inc. (collectively, the Blended Component Units), which are included in the Hospital's financial statements, were not audited in accordance with *Government Auditing Standards*.

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 opinions on the Hospital's financial position. Because of the matters described in the *Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statements of revenues, expenses and changes in net position and cash flows.

***Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows***

We did not audit the opening balance sheet amounts of the Blended Component Units, and we were unable to satisfy ourselves regarding these balances by means of other auditing procedures. Opening balance sheet amounts as of January 1, 2014, enter into the determination of change in net position and cash flows for the year ended December 31, 2014.

***Disclaimer of Opinion on the Results of Operations and Cash Flows***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended December 31, 2014, and accordingly express no such opinion.

***Opinion on Financial Position***

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Greene County General Hospital as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The 2013 financial statements, before they were restated for the matter discussed in Note 2, were audited by other auditors and their report thereon, dated March 2, 2015, expressed an adverse opinion as the Hospital did not include financial data for their legally separate component units. Our opinion is not modified with respect to this matter.

***Other Matters***

***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.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**BKD, LLP**

Indianapolis, Indiana  
November 17, 2015

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Management's Discussion and Analysis**  
**December 31, 2014**

**Introduction**

This management's discussion and analysis of the financial performance of Greene County General Hospital (Hospital) provides an overview of the Hospital's financial activities for the year ended December 31, 2014. It should be read in conjunction with the accompanying financial statements of the Hospital.

**Financial Highlights**

- The 2014 financial statements include the balances of the Hospital's blended component units, which were previously excluded from the financial reporting entity as detailed in Note 2.
- Cash and investments decreased in 2014 by \$555,227 or 11.7%.
- The Hospital's net position increased in 2014 with a \$381,000, or 4.3% increase. Of this increase, \$1,396,853 is related to the inclusion of previously excluded component units as detailed in Note 2.
- The Hospital reported operating losses in 2014 of \$1,005,718. The operating loss in 2014 decreased by \$11,614,831 or 92.0% compared to the operating loss reported in 2013.
- Net nonoperating expenses for 2014 were \$230,135, which represented a decrease of \$288,036 or 497.5% compared to net nonoperating revenues of \$57,901 in 2013.

**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 them. 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 equal to its assets, less liabilities reported in the balance sheets. The Hospital's net position increased by \$381,000 or 4.3% in 2014 over 2013.

**Table 1: Assets, Liabilities and Net Position**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Patient accounts receivable, net	\$ 6,426,640	\$ 5,134,413
Other current assets	6,547,821	6,257,551
Capital assets, net	11,663,917	10,773,957
Other noncurrent assets	1,121,351	853,513
	<u>\$ 25,759,729</u>	<u>\$ 23,019,434</u>
<b>Liabilities</b>		
Long-term debt	\$ 8,923,202	\$ 9,158,487
Other current and noncurrent liabilities	7,648,908	5,054,328
Total liabilities	<u>16,572,110</u>	<u>14,212,815</u>
<b>Net Position</b>		
Net investment in capital assets	2,740,715	10,773,957
Restricted for debt service	639,327	-
Unrestricted	5,807,577	(1,967,338)
Total net position	<u>9,187,619</u>	<u>8,806,619</u>
	<u>\$ 25,759,729</u>	<u>\$ 23,019,434</u>
Total liabilities and net position	<u>\$ 25,759,729</u>	<u>\$ 23,019,434</u>

A significant change in the Hospital's assets in 2014 is the increase in patient accounts receivable by \$1,292,227 (25.2%). This is coupled with the increase in net patient service revenues in 2014 by \$27,398,082 (162.0%). These figures result from the addition of two long-term care facilities in 2014 and one long-term care facility in late 2013. In 2014, the patient accounts receivable attributed to the long-term care facilities totaled \$1,721,024 compared to \$831,013 in 2013. Net patient service revenue attributed to the long-term care facilities totaled \$12,886,493 compared to \$2,412,894 in 2013. Another component of the change in net patient service revenue from 2013 to 2014 included a change during 2013 in the methodology for estimating the allowances of uncollectible accounts. The result of this methodology change was a deduction of net patient service revenue in the amount of \$15,749,349 in 2013.

## Operating Results and Changes in the Hospital's Net Assets

In 2014, the Hospital's decrease in net position was \$1,015,853 as shown in Table 2. This decrease is made up of several different components and represents an improvement of \$16,900,278 or 94.3% compared with the decrease in net position for 2013 of \$17,916,131.

**Table 2: Operating Results and Changes in Net Position**

	<b>2014</b> <b>(Unaudited)</b>	<b>2013</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 44,311,710	\$ 16,913,628
Other operating revenue	2,325,699	3,590,587
Total operating revenue	<u>46,637,409</u>	<u>20,504,215</u>
<b>Operating Expenses</b>		
Salaries and wages and employee benefits	19,771,545	15,964,073
Purchased services and professional fees	12,062,785	3,478,652
Depreciation and amortization	1,106,359	772,453
Other operating expenses	14,702,438	12,909,586
Total operating expenses	<u>47,643,127</u>	<u>33,124,764</u>
<b>Operating Loss</b>	<u>(1,005,718)</u>	<u>(12,620,549)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	18,856	47,871
Interest expense	(357,968)	-
Noncapital grants and contributions	25,827	10,030
Other	83,150	-
Total nonoperating revenue (expense)	<u>(230,135)</u>	<u>57,901</u>
<b>Deficiency of Revenues Over Expenses Before Capital Grants and Contributions and Contributions to Related Organizations</b>	<u>(1,235,853)</u>	<u>(12,562,648)</u>
<b>Capital Grants and Contributions</b>	220,000	-
<b>Contributions to Related Organizations</b>	-	(5,353,483)
	<u>220,000</u>	<u>(5,353,483)</u>
<b>Decrease in Net Position</b>	<u>(1,015,853)</u>	<u>(17,916,131)</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	8,806,619	26,722,750
<b>Inclusion of Previously Excluded Component Units</b>	1,396,853	-
<b>Net Position, Beginning of Year, as Restated</b>	<u>10,203,472</u>	<u>26,722,750</u>
<b>Net Position, End of Year</b>	<u>\$ 9,187,619</u>	<u>\$ 8,806,619</u>

## **Operating Losses**

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 2014, the Hospital has reported an operating loss. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Greene County and the surrounding area.

The operating loss for 2014 decreased by \$11,614,831, or 92.0%, as compared to 2013. The primary component of the decreased operating loss is the increase in net patient service revenue of \$27,398,082, or 162.0%, which is mainly attributable to the addition of long-term care facilities and changes in the methodology for estimating the allowances of uncollectible accounts.

The increase in net patient service revenue was offset by increases in employee salaries and wages and benefits and purchased services and professional fees. Employee salaries and wages and benefits increased in 2014 by \$3,807,472 or 23.9% from \$15,964,073 in 2013. This increase is primarily attributed to the inclusion of the previously excluded component units in the financial reporting entity as described in Note 2.

Purchased services and professional fees increased in 2014 by \$8,584,133 or 246.8% from \$3,478,652 in 2013. This increase is attributed to the expansion of long-term care operations which are managed by third-party managers as described in Note 13.

## **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of investment income and interest expense. Investment income decreased \$29,015 or 60.6% from \$47,871 in 2013 to \$18,856 in 2014. This was a result of changes in market activities. The Hospital recognized interest expense in 2014 of \$357,968 from the revenue bond payable entered into on December 24, 2013.

## **The Hospital's Cash Flows**

The Hospital's cash flows from operating activities decreased by \$2,994,488 or 77.5% from \$3,863,314 in 2013 to \$868,826 in 2014. This is related primarily to a large increase in other receivables from Medicaid Disproportionate Share Hospital revenue recorded as a receivable in 2014 as described in Note 3. Similarly, there was a large decrease in estimated third-party settlements resulting from the payment of the 2013 cost report settlement in 2014. Remaining changes in the Hospital's cash flows are consistent with the financing of capital improvements and investment activity during the year.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At the end of 2014, the Hospital had \$11,663,917 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2014, the Hospital purchased new equipment costing \$1,259,893. In 2013, the Hospital spent significant funds as part of Hospital renovations and additions, which opened during the fall of 2013.

### **Debt**

At December 31, 2014, the Hospital had \$8,923,202 in revenue bonds and capital lease obligations outstanding. During 2014, the Hospital had net draws on an outstanding line of credit of \$195,236. There were no other significant changes in debt financing in 2014.

### **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) 847-2281.

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Balance Sheet**  
**December 31, 2014**

**Assets**

		<u>2014</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,158,589	
Short-term investments	1,147,847	
Patient accounts receivable, net of allowance of \$2,366,412	6,426,640	
Other receivables	2,601,893	
Supplies	395,229	
Prepaid expenses and other	244,263	
Total current assets		\$ 12,974,461
<b>Noncurrent Cash and Investments</b>		
Internally designated	242,236	
Held by trustee for debt service	639,327	
		881,563
<b>Capital Assets, net</b>		11,663,917
<b>Other Assets</b>		<u>239,788</u>
Total assets		<u>\$ 25,759,729</u>

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 357,513	
Line of credit	195,236	
Accounts payable and accrued expenses	7,026,558	
Estimated third-party settlements	427,114	
Total current liabilities		\$ 8,006,421
<b>Long-Term Debt</b>		
Total liabilities		<u>8,565,689</u>
		16,572,110
<b>Net Position</b>		
Net investment in capital assets	2,740,715	
Restricted for debt service	639,327	
Unrestricted	5,807,577	
Total net position		<u>9,187,619</u>
Total liabilities and net position		<u>\$ 25,759,729</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Statement of Revenues, Expenses and Changes in Net Position (Unaudited)**  
**Year Ended December 31, 2014**

		<b>2014</b>
		<b>(Unaudited)</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts of \$6,119,220	\$ 44,311,710	
Other	2,325,699	
Total operating revenues		\$ 46,637,409
<b>Operating Expenses</b>		
Salaries and wages	15,370,380	
Employee benefits	4,401,165	
Purchased services and professional fees	12,062,785	
Supplies and other	13,218,332	
Depreciation and amortization	1,106,359	
Provider hospital assessment fee	1,484,106	
Total operating expenses		47,643,127
<b>Operating Loss</b>		(1,005,718)
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	18,856	
Interest expense	(357,968)	
Noncapital grants and contributions	25,827	
Other	83,150	
Total nonoperating revenues (expense)		(230,135)
<b>Deficiency of Revenues Over Expenses Before Capital Grants and Contributions</b>		(1,235,853)
<b>Capital Grants and Contributions</b>		220,000
<b>Decrease in Net Position</b>		(1,015,853)
<b>Net Position, Beginning of Year, as Previously Reported</b>		8,806,619
<b>Inclusion of Previously Excluded Component Units</b>		1,396,853
<b>Net Position, Beginning of Year, as Restated</b>		10,203,472
<b>Net Position, End of Year</b>		\$ 9,187,619

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Statement of Cash Flows (Unaudited)**  
**Year Ended December 31, 2014**

		<b>2014</b>
		<b>(Unaudited)</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 42,618,581	
Payments to suppliers and contractors	(23,094,818)	
Payments to employees	(18,747,339)	
Other payments	92,402	
Net cash provided by operating activities		\$ 868,826
<b>Noncapital Financing Activity - noncapital grants and contributions</b>		25,827
<b>Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(1,259,893)	
Borrowings on line of credit	976,690	
Repayments on line of credit	(781,454)	
Principal paid on long-term debt	(178,008)	
Principal paid on capital leases	(57,277)	
Interest paid on long-term debt and capital leases	(357,968)	
Net cash used in capital and related financing activities		(1,657,910)
<b>Investing Activities</b>		
Interest and dividends on investments	4,923	
Proceeds from disposition of investments	690,281	
Other investing activities	83,150	
Net cash provided by investing activities		778,354
<b>Increase in Cash and Cash Equivalents</b>		15,097
<b>Cash and Cash Equivalents, Beginning of Year</b>		2,143,492
<b>Cash and Cash Equivalents, End of Year</b>		\$ 2,158,589
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities</b>		
Operating loss		\$ (1,005,718)
Depreciation and amortization		1,106,359
Provision for uncollectible accounts		6,119,220
Changes in operating assets and liabilities:		
Patient accounts receivable		(6,790,767)
Estimated amounts due from and to third-party payers		(1,021,582)
Accounts payable and accrued expenses		3,292,414
Supplies and other current assets		(831,100)
Net cash provided by operating activities		\$ 868,826
<b>Supplemental Cash Flow Information</b>		
Capital asset acquired through contribution		\$ 220,000

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2014**

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

***Nature of Operations and Reporting Entity***

Greene County General Hospital (Hospital) is an acute care hospital located in Linton, Indiana. The Hospital is a component unit of Greene County (County) and the Board of County Commissioners appoints members to the Board of Governors 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 Greene County area. It also operates a home health agency in the same geographic area.

The Hospital operates long-term facilities (LTC) through various lease arrangements. These facilities provide inpatient and therapy services in its geographic area and supports the Hospital's mission to provide quality services to the facility's residents. The facilities are managed by third parties under management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for associated operating expenses and working capital requirements.

In accordance with GASB Statement No. 61, the financial statements include the financial statements of the Greene County Home Healthcare Agency, LLC (HHC), Greene County General Hospital, LLC (LLC), and Greene County General Hospital Foundation, Inc. (Foundation). The HHC and LLC focus on specialized care while 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. These entities are reported as blended component units.

***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. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

***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.

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2014**

***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014, 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 and in nonnegotiable certificates of deposit 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.

***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.

***Supplies***

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

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2014**

**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	10 - 25 years
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years

**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 when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. 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 components of net position are 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.

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**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 \$926,458 for 2014.

**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.

The Foundation is exempt from federal income taxes under Section 501(c)(3) 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.

HHC and LLC are not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to their members in accordance with their respective ownership percentages.

**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 (CAHs) 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.

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The Hospital has recognized the incentive payment revenue received for qualified EHR technology expenditures during 2014, 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 \$706,000, which is included in net patient service revenue in the statement of revenues, expenses and changes in net position for the year ended December 31, 2014.

**Note 2: Restatement of Prior Year’s Financial Statements (Unaudited)**

During 2014, the Hospital changed its method of accounting for its blended component units HHC, LLC and Foundation, which were previously excluded from the financial reporting entity. These entities are now included in the Hospital’s financial reporting entity and the Hospital believes that the new method more accurately reflects its financial position and changes in financial position. The financial statements for 2014 have been retroactively restated for the change, which resulted in an increase of beginning net position for 2014 of \$1,396,853. Previously reported change in net position for 2013 would have decreased by \$1,964,094 had these entities been included in the Hospital’s financial statements.

**Note 3: 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 uncollectable 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.

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident’s health at admission. Medicare reimburses for 100 days of skilled nursing facility care are subject to certain eligibility requirements.

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*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.

Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

Approximately 66% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2014. 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 \$1.7 million during 2014 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 incurred approximately \$1.5 million of assessed fees related to this Medicaid program in 2014, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. Approximately \$405,000 of assessed fees are accrued as a liability in estimated third-party settlements at December 31, 2014. During 2014, this program was reinstated retroactively to July 1, 2013 and this program is scheduled to sunset on June 30, 2017. There is no assurance this program will continue to be implemented in the future.

The Hospital also qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1.5 million within net patient service revenue related to this supplemental payment program for the year ended December 31, 2014. At December 31, 2014, \$1.2 million is accrued as a receivable in other receivables. This represents management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program. The Hospital recognized approximately \$1.6 million related to this supplemental payment program for the year ended December 31, 2014 which is included in other operating revenue in the statement of revenues, expenses and changes in net position. At December 31, 2014, \$554,000 is accrued and included in other receivables.

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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.

During 2014, the Hospital received favorable rulings on appeals of previously settled Medicare cost reports. These appeals resulted in an increase of net patient service revenue of approximately \$441,000. Amounts were not received at December 31, 2014 and are included in estimated third-party settlements.

**Note 4: 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 in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20. At December 31, 2014, the Hospital's investments consisted of various equity and fixed income mutual funds with maturities less than one year.

**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 policy for interest rate risk.

**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, 2014, the Hospital's investments were not rated by Standard & Poor's or by Moody's Investors Service.

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**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.

**Summary of Carrying Values**

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

	<b>2014</b>
Carrying value:	
Deposits	\$ 3,973,844
Investments	214,155
	\$ 4,187,999
Included in the following balance sheet captions:	
Cash and cash equivalents	\$ 2,158,589
Short-term investments	1,147,847
Noncurrent cash and investments	
Internally designated	242,236
Held by trustee for debt service	639,327
	\$ 4,187,999

**Investment Income**

Investment income for the year ended December 31 consisted of:

	<b>2014</b>
Interest and dividend income	\$ 4,923
Net increase in fair value of investments	13,933
	\$ 18,856

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**Note 5: 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:

	<b>2014</b>
Medicare	\$ 2,324,147
Medicaid	1,268,861
Other third-party payers	2,292,561
Patients	2,907,483
	8,793,052
Less allowance for uncollectible accounts	2,366,412
	\$ 6,426,640

**Note 6: Capital Assets**

Capital assets activity for the year ended December 31 was:

	<b>2014</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land:	\$ 789,198	\$ -	\$ (1,734)	\$ -	\$ 787,464
Land improvements	689,896	74,287	(382,411)	-	381,772
Buildings	11,210,485	951,413	(4,471,484)	356,674	8,047,088
Fixed equipment	4,324,871	79,907	(777,168)	60,796	3,688,406
Major movable equipment	4,720,723	179,050	(2,452,345)	8,900	2,456,328
Construction in process	426,370	195,236	-	(426,370)	195,236
	22,161,543	1,479,893	(8,085,142)	-	15,556,294
Less accumulated depreciation:					
Land improvements	(422,725)	(40,684)	382,410	-	(80,999)
Buildings	(6,416,814)	(377,882)	4,471,161	-	(2,323,535)
Fixed equipment	(955,778)	(276,277)	744,560	-	(487,495)
Major movable equipment	(3,041,176)	(411,516)	2,452,344	-	(1,000,348)
	(10,836,493)	(1,106,359)	8,050,475	-	(3,892,377)
	\$ 11,325,050	\$ 373,534	\$ (34,667)	\$ -	\$ 11,663,917

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**Note 7: 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 8: 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. Commercial stop-loss insurance coverage is purchased for claims in excess of \$60,000 with a maximum aggregate annual reimbursement of \$1,000,000. 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.

Activity in the Hospital's accrued employee health claims liability during 2014 is summarized as follows:

	<b>2014</b>
Balance, beginning of year	\$ 129,529
Current year claims incurred and changes in estimates for claims incurred in prior years	2,500,401
Claims and expenses paid	(2,113,230)
Balance, end of year	\$ 516,700

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**Note 9: Long-Term Obligations**

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

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds payable:					
Lease rental revenue refunding bonds, series 2013	\$ 8,945,000	\$ -	\$ (178,008)	\$ 8,766,992	\$ 295,029
Capital lease obligations	213,487	-	(57,277)	156,210	62,484
Total long-term debt	<u>\$ 9,158,487</u>	<u>\$ -</u>	<u>\$ (235,285)</u>	<u>\$ 8,923,202</u>	<u>\$ 357,513</u>

**Lease Rental Revenue Refunding Bonds, Series 2013**

The Lease Rental Revenue Refunding Bonds, Series 2013 consist of bonds payable in the original amount of \$8,945,000 dated December 24, 2013, issued by the Greene County Hospital Association (Association). The Hospital entered into an agreement with the Association where the Hospital would be responsible for 100% of the principal and interest payments on these bonds. The bonds are payable in semiannual installments through August 2034 and bear interest at 0.50% to 4.60%. The bonds are secured by the lease rental payments pledged by the Hospital to be paid from net operating revenues.

The debt service requirements as of December 31, 2014 are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
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	641,000	345,123	295,877
2020 - 2024	3,195,000	1,933,829	1,261,171
2025 - 2029	3,198,000	2,358,098	839,902
2030 - 2034	3,210,000	2,885,039	324,961
	<u>\$ 12,800,000</u>	<u>\$ 8,766,992</u>	<u>\$ 4,033,008</u>

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***Capital Lease Obligations***

The Hospital is obligated under lease for equipment that is accounted for as a capital lease. The following is a schedule by year of future minimum lease payments under the capital lease. Interest on these capital leases was determined to be insignificant.

2015	\$	62,484
2016		62,484
2017		31,242
		31,242
Total minimum lease payments	\$	156,210

The cost of assets under the capital lease at December 31, 2014, totaled \$218,694, net of accumulated depreciation of \$47,384.

***Revolving Line of Credit***

At December 31, 2014, the Hospital has a \$3.0 million line of credit with a local bank which matures August 2015. Interest on outstanding draws accrues at the bank's prime rate, which was 3.25% at December 31, 2014. The line of credit is secured by certain assets of the Hospital. At December 31, 2014, \$195,236 was drawn against the line of credit.

**Note 10: Pension Plan**

The Hospital contributes to a defined-contribution pension plan covering substantially all employees of the Hospital, LLC and HHC. 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. 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. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll were 5% of an employee's eligible compensation for 2014. Expense related to the employer contributions to the plan was \$546,000 for 2014.

During 2014, eligible compensation amounts, as defined, were changed resulting in plan forfeitures. These forfeitures were utilized to fund 2014 contributions to the Plan and decreased pension expense by \$255,000.

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**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.

***Medicare Compliance***

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 Center for Medicare and Medicaid Services (CMS) of the U.S. Department of Health and Human Services that involved technical compliance with certain requirements related to a limited number of physician financial relationships. These technical errors were discovered by Hospital administration during a review of its physician financial arrangements. This matter is still in the fact-finding stage and the Hospital has not entered into any settlement discussions with CMS, therefore, the Hospital believes it is too early to determine a likely outcome or a likely amount of damages that CMS may assess against the Hospital.

**Note 12: 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 required the establishment of health insurance exchanges, which provides 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.

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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. In 2015, the state of Indiana expanded its Medicaid program with the implementation of the Healthy Indiana Plan (HIP) 2.0. Under HIP 2.0, the first \$2,500 of beneficiary medical expenses are reimbursed from special savings accounts funded partly by the state and partly by the beneficiary. The impact of Medicaid expansion under the HIP 2.0 program on the Hospital's revenues is currently unknown.

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.

**Note 13: Long-Term Care Operating Leases and Management Agreements**

The Hospital entered into various agreements to lease the facilities and equipment for the operation of three nursing homes. Along with the lease agreements, the Hospital also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facility. The agreements expire at various times through October 2016 and include optional two-year extensions. The management and lease agreements include optional termination clauses by either party with 90 day written notice.

The lease agreements call for monthly base rent payments during the initial term. Rental payments will increase by 1% during the extension period if not negotiated between the parties. Rental expense for 2014 approximated \$854,000. Future minimum rent payments at December 31 are as follows:

2015	\$ 2,088,795
2016	<u>1,271,900</u>
Future minimum lease payments	<u><u>\$ 3,360,695</u></u>

The management agreements include management fees consisting of base management fees, subordinate management fees and incentive management fees. These amounts are based on the net patient service revenue of the individual facilities. Subordinate and incentive management fees are to be paid only if sufficient working capital exists as outlined in the agreements. The agreements also call for annual quality and monthly intangible licensing fees to be paid. Management and other fees approximated \$1,874,000 for 2014.

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The Hospital has entered into agreements with Managers to loan amounts for working capital needs in the form of revolving notes. Interest accrues on outstanding amounts at nominal rates. Amounts due to Managers under these agreements are included in accounts payable and accrued expenses as they represent amounts due for working capital.

In June 2015, the Hospital entered into a separate lease and management agreement for the operations of a single nursing home. The agreements expire in May 2017 and call for base monthly rentals of \$3,000 per month, which are not included in the table above.

**Note 14: Blended Component Units**

The following is a financial summary of the Hospital's blended component units, Greene County Hospital, LLC (LLC) and Greene County Home Healthcare Agency, LLC (HHC) as of and for the year ended December 31, 2014. The financial summary of Greene County General Hospital Foundation, Inc. is immaterial to the financial statements as a whole.

**Condensed Balance Sheet**

	<u>LLC</u>	<u>HHC</u>
<b>Assets</b>		
Current assets	\$ 400,730	\$ 209,456
Capital assets	75,424	29,675
Other assets	191,000	-
	<u>667,154</u>	<u>239,131</u>
Total assets	<u>\$ 667,154</u>	<u>\$ 239,131</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 332,950</u>	<u>\$ 98,577</u>
<b>Net Position</b>		
Net investment in capital assets	75,424	29,675
Unrestricted net position	<u>258,780</u>	<u>110,879</u>
Total net position	<u>334,204</u>	<u>140,554</u>
Total liabilities and net position	<u>\$ 667,154</u>	<u>\$ 239,131</u>

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***Condensed Statement of Revenues, Expenses and Changes in Net Position***

	<u>LLC</u>	<u>HHC</u>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 2,329,604	\$ 779,001
Other	147,375	2,372
Total operating revenues	<u>2,476,979</u>	<u>781,373</u>
<b>Operating Expenses</b>	<u>3,731,008</u>	<u>1,251,322</u>
<b>Operating Loss and Decrease in Net Position</b>	(1,254,029)	(469,949)
<b>Transfers</b>	<u>1,117,000</u>	<u>125,000</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	(137,029)	(344,949)
<b>Inclusion of Previously Excluded Component Units</b>	<u>471,233</u>	<u>485,503</u>
<b>Net Position, End of Year</b>	<u>\$ 334,204</u>	<u>\$ 140,554</u>

***Condensed Statement of Cash Flows***

	<u>LLC</u>	<u>HHC</u>
<b>Cash Flows From Operating Activities</b>	\$ (1,123,136)	\$ (87,079)
<b>Cash Flows From Noncapital Financing Activity - Transfers from Hospital</b>	1,117,000	125,000
<b>Cash Flows From Capital and Related Financing Activities</b>	<u>(7,723)</u>	<u>(2,609)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(13,859)	35,312
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>62,472</u>	<u>27,364</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 48,613</u>	<u>\$ 62,676</u>

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**Note 15: Subsequent Events**

Greene County General Hospital formed Greene County General Health, Inc. (Health, Inc.) as a nonprofit corporation on February 27, 2015. Health, Inc. was formed to apply for and operate as a Federally Qualified Health Center (FQHC) as part of the Hospital's continuing effort to stabilize the financial performance of its outpatient and clinic operations. As an FQHC, Health, Inc. will be eligible for enhanced Medicare and Medicaid reimbursement for certain services. Due to FQHC regulatory requirements, the Hospital will maintain only minority representation on the Health, Inc. governing board.

## **Other Information**

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**Combining Balance Sheet Information**  
**December 31, 2014**

	2014						Total
	Hospital	Nursing Homes	LLC	Home Health	Hospital Foundation	Eliminations	
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 106,651	\$ 1,932,100	\$ 48,613	\$ 62,676	\$ 8,549	\$ -	\$ 2,158,589
Short-term investments	1,147,847	-	-	-	-	-	1,147,847
Patient accounts receivable, net of allowance of \$2,366,412	4,288,200	1,721,024	284,833	132,583	-	-	6,426,640
Other receivables	2,150,830	553,535	-	-	-	(102,472)	2,601,893
Supplies	359,915	35,314	-	-	-	-	395,229
Prepaid expenses and other assets	107,745	52,168	67,284	14,197	2,869	-	244,263
Total current assets	<u>8,161,188</u>	<u>4,294,141</u>	<u>400,730</u>	<u>209,456</u>	<u>11,418</u>	<u>(102,472)</u>	<u>12,974,461</u>
<b>Noncurrent Cash and Investments</b>							
Internally designated	242,236	-	-	-	-	-	242,236
Held by trustee for debt service	639,327	-	-	-	-	-	639,327
	<u>881,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,563</u>
<b>Capital Assets, net</b>	<u>10,931,727</u>	<u>-</u>	<u>75,424</u>	<u>29,675</u>	<u>627,091</u>	<u>-</u>	<u>11,663,917</u>
<b>Other Assets</b>	<u>48,788</u>	<u>-</u>	<u>191,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,788</u>
Total assets	<u>\$ 20,023,266</u>	<u>\$ 4,294,141</u>	<u>\$ 667,154</u>	<u>\$ 239,131</u>	<u>\$ 638,509</u>	<u>\$ (102,472)</u>	<u>\$ 25,759,729</u>
<b>Liabilities and Net Position</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 357,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 357,513
Line of credit	195,236	-	-	-	-	-	195,236
Accounts payable and accrued expenses	3,181,561	3,513,574	332,950	98,577	2,368	(102,472)	7,026,558
Estimated third-party settlements	427,114	-	-	-	-	-	427,114
Total current liabilities	<u>4,161,424</u>	<u>3,513,574</u>	<u>332,950</u>	<u>98,577</u>	<u>2,368</u>	<u>(102,472)</u>	<u>8,006,421</u>
<b>Long-Term Debt</b>	<u>8,565,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,565,689</u>
Total liabilities	<u>12,727,113</u>	<u>3,513,574</u>	<u>332,950</u>	<u>98,577</u>	<u>2,368</u>	<u>(102,472)</u>	<u>16,572,110</u>
<b>Net Position</b>							
Net investment in capital assets	2,008,525	-	75,424	29,675	627,091	-	2,740,715
Restricted for debt service	639,327	-	-	-	-	-	639,327
Unrestricted	4,648,301	780,567	258,780	110,879	9,050	-	5,807,577
Total net position	<u>7,296,153</u>	<u>780,567</u>	<u>334,204</u>	<u>140,554</u>	<u>636,141</u>	<u>-</u>	<u>9,187,619</u>
Total liabilities and net position	<u>\$ 20,023,266</u>	<u>\$ 4,294,141</u>	<u>\$ 667,154</u>	<u>\$ 239,131</u>	<u>\$ 638,509</u>	<u>\$ (102,472)</u>	<u>\$ 25,759,729</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Combining Statement of Revenues, Expenses and Changes**  
**In Net Position Information (Unaudited)**  
**Year Ended December 31, 2014**

	2014					Total
	Hospital	Nursing Homes	LLC	Home Health	Hospital Foundation	
<b>Operating Revenues</b>						
Net patient service revenue, net of provision for uncollectible accounts of \$6,119,220	\$ 28,316,612	\$ 12,886,493	\$ 2,329,604	\$ 779,001	\$ -	\$ 44,311,710
Other	534,753	1,641,199	147,375	2,372	-	2,325,699
Total operating revenues	<u>28,851,365</u>	<u>14,527,692</u>	<u>2,476,979</u>	<u>781,373</u>	<u>-</u>	<u>46,637,409</u>
<b>Operating Expenses</b>						
Salaries and wages	11,984,210	-	2,537,420	836,150	12,600	15,370,380
Employee benefits	3,926,585	-	227,627	246,953	-	4,401,165
Purchased services and professional fees	2,025,739	9,969,675	55,966	11,405	-	12,062,785
Supplies and other	8,327,366	3,775,488	899,922	141,729	73,827	13,218,332
Depreciation and amortization	1,053,973	-	10,073	15,085	27,228	1,106,359
Provider hospital assessment fee	1,484,106	-	-	-	-	1,484,106
Total operating expenses	<u>28,801,979</u>	<u>13,745,163</u>	<u>3,731,008</u>	<u>1,251,322</u>	<u>113,655</u>	<u>47,643,127</u>
<b>Operating Income (Loss)</b>	<u>49,386</u>	<u>782,529</u>	<u>(1,254,029)</u>	<u>(469,949)</u>	<u>(113,655)</u>	<u>(1,005,718)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment income	18,856	-	-	-	-	18,856
Interest expense	(357,968)	-	-	-	-	(357,968)
Noncapital grants and contributions	-	-	-	-	25,827	25,827
Other	29,298	-	-	-	53,852	83,150
Total nonoperating revenues (expenses)	<u>(309,814)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,679</u>	<u>(230,135)</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions</b>	<u>(260,428)</u>	<u>782,529</u>	<u>(1,254,029)</u>	<u>(469,949)</u>	<u>(33,976)</u>	<u>(1,235,853)</u>
<b>Capital Grants and Contributions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>220,000</u>
<b>Increase (Decrease) in Net Position</b>	<u>(260,428)</u>	<u>782,529</u>	<u>(1,254,029)</u>	<u>(469,949)</u>	<u>186,024</u>	<u>(1,015,853)</u>
<b>Transfer From (To) Affiliate</b>	<u>(1,060,608)</u>	<u>(191,392)</u>	<u>1,117,000</u>	<u>125,000</u>	<u>10,000</u>	<u>-</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	8,617,189	189,430	-	-	-	8,806,619
<b>Inclusion of Previously Excluded Component Units</b>	<u>-</u>	<u>-</u>	<u>471,233</u>	<u>485,503</u>	<u>440,117</u>	<u>1,396,853</u>
<b>Net Position, Beginning of Year, as Restated</b>	<u>8,617,189</u>	<u>189,430</u>	<u>471,233</u>	<u>485,503</u>	<u>440,117</u>	<u>10,203,472</u>
<b>Net Position, End of Year</b>	<u>\$ 7,296,153</u>	<u>\$ 780,567</u>	<u>\$ 334,204</u>	<u>\$ 140,554</u>	<u>\$ 636,141</u>	<u>\$ 9,187,619</u>

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Balance Sheet Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Greene County General Hospital  
Linton, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the balance sheet of Greene County General Hospital (Hospital) a component unit of Greene County, Indiana as of December 31, 2014, and were engaged to audit 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 basic financial statements and have issued our report thereon dated November 17, 2015, which disclaimed an opinion on the statements of revenues, expenses and changes in net position and cash flows because of restrictions on the scope of the audit and contained a paragraph emphasizing a matter regarding the prior year financial statements. The financial statements of Greene County Home Healthcare Agency, LLC, Greene County General Hospital, LLC, and Greene County General Hospital Foundation, Inc. (collectively, the Blended Component Units), which are included in the Hospital's financial statements, were not audited in accordance with *Government Auditing Standards*.

### ***Internal Control Over Financial Reporting***

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Hospital's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2014-001 that we consider to be a significant deficiency in internal control.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Management's Response to Findings***

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the Hospital's management in a separate letter dated November 17, 2015.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Indianapolis, Indiana  
November 17, 2015

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Schedule of Findings and Responses**  
**December 31, 2014**

Reference Number	Finding
2014-001	<p><b>Criteria or Specific Requirement:</b> <b>Internal Control Over Financial Reporting</b></p> <p><b>Condition:</b> During the fiscal year, the Hospital changed its method of accounting for its blended component units, which were previously excluded from the financial reporting entity. The change in accounting resulted in a restatement of the prior year financial statements.</p> <p><b>Context:</b> Proper accounting of the Hospital's financial reporting entity is critical to external financial reporting to interested parties.</p> <p><b>Cause:</b> While transactions with these entities had previously been accounted for and disclosed in the Hospital's financial statements, proper inclusion of their financial position and operating results was not included in the Hospital's financial reporting entity.</p> <p><b>Effect:</b> Potential misstatements in the financial statements could occur and not be detected and/or corrected in a timely manner.</p> <p><b>Recommendation:</b> We recommend that the Hospital evaluate all relationships on an ongoing basis to ensure that proper accounting for entities as component units is consistently and appropriately applied.</p> <p><b>Views of Responsible Officials and Planned Corrective Action:</b> We concur. Management continues to evaluate current controls related to accounting for component units. We also continue to evaluate future relationships that could warrant inclusion in our financial reporting entity to ensure that these relationships are accounted for properly and in a timely manner.</p>