

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR  
COUNTY, TENNESSEE)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2011 and 2010**

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

# TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4-6
<b>FINANCIAL STATEMENTS:</b>	
Balance sheets	7-8
Statements of revenues, expenses, and changes in net assets (deficit)	9
Statements of cash flows	10-11
Notes to financial statements	12-23
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule 1 - Salaries and benefits	25-26
Schedule 2 - Medical supplies and drugs	27
Schedule 3 - Other supplies	28-29
Schedule 4 - Other expenses	30-31
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	32-33



## INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of  
Decatur County General Hospital (a component unit of Decatur County, Tennessee):**

We have audited the accompanying financial statements of Decatur County General Hospital (a component unit of Decatur County, Tennessee) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Decatur County General Hospital's (a component unit of Decatur County, Tennessee) management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements as of June 30, 2010, were audited by Burk, Pearlman, Nebben and Huggins, PLLC, who merged with Johnson, Hickey and Murchison, PC as of January 1, 2011, and whose report dated December 20, 2010, expressed an unqualified opinion on those statements.

We conducted our audits 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 of material misstatements. 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 audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Decatur County General Hospital (a component unit of Decatur County, Tennessee) as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of Decatur County General Hospital's (a component unit of Decatur County, Tennessee) 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 part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the accompanying financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Decatur County General Hospital (a component unit of Decatur County, Tennessee). Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Johnson, Niskey & Menckson, P.C.*

Chattanooga, Tennessee  
December 19, 2011

## Management's Discussion and Analysis

Our discussion and analysis of Decatur County General Hospital's (DCGH) financial performance provides an overview of the Hospital's financial activities for the year ended June 30, 2011. However, please refer to the financial statements for an in-depth understanding of this analysis.

For the fiscal year ended June 30, 2007, DCGH lost \$784,510. For the fiscal year ended June 30, 2008, DCGH lost \$1,488,212. The fiscal year ended June 30, 2009 was a loss of \$803,031. The fiscal year ended June 30, 2010 was a loss of \$310,548. We posted a loss this year ended June 30, 2011 as well, the loss was \$312,634, which represents improvements over fiscal years ending 2007-2009. Management is determined to improve financial performance. There are many reasons for this turnaround, including new services, expense management, and efficient operations.

New services and physicians have been introduced to this facility to improve access to area residents to better meet the healthcare needs of our community. The medical staff and the community have responded positively by utilizing the new services, all of which were made available to meet the needs of this community and enhance the healthcare provided by DCGH. Key financial highlights are as follows:

- DCGH attested to Year 1 Meaningful Use for Electronic Medical Records on September 20, 2011. We anticipate receiving \$1,700,000 Medicare funds within 45 days.
- Delta Grant #2 of \$228,000 was awarded in 2011. We anticipate these funds in September 2011. This grant will fund electronic health records in the Emergency Room and positions DCGH for meaningful use funds in year 2 of \$1,400,000. This grant also will be used to purchase Quality Applications for Magnolia Medical Arts to qualify for meaningful use of \$44,000.
- Electronic Medical Records make us eligible for an additional \$1.4 million Medicare funds in the years 2013-2014.
- PACS grant of \$285,000 was received in August 2010. The PACS system allows us to have state of the art technology; a full-time radiologist and it reduced expenses by \$42,000.
- The Nursing Department has implemented clinical hourly rounding and our HCAPHS scores are improving due to better customer service. With improved HCAPHS scores DCGH will earn pay for performance funds.
- Nurse Practitioner, Magnolia Medical Arts opened in April 2011. This clinician refers to DCGH approximately \$800,000 annualized for ancillary services.
- Hospitalist Program has increased quality, efficiency and HCAPHS scores.
- A General Surgeon has been recruited and credentialed for part-time surgical services.
- DCGH contracted with a recruitment firm to secure two Primary Care Physicians.
- Ambulance Service has been transferred back to Decatur County as of October 1, 2011. This will reduce DCGH's expenses and improve cash flow.
- A Physical Medicine Pain Management Physician began clinic services in May 2011. He is referring \$150,000 annualized for ancillary services.
- Magnetic Resonance Imaging (MRI) was introduced to this facility in 2008, and has exceeded the Business Case Projection each week.
- Sleep Center was introduced in 2009.
- Accredited Chest Pain Center.
- Stroke Center in St. Thomas Network.
- Joint Commission Accredited.
- Lab is CLIA and CAP Accredited.

The financial performance of DCGH is summarized below:

**COMPARATIVE DATA**

Statement of Net Assets –

	<u>June 30, 2011</u>	<u>Percent of Total</u>	<u>June 30, 2010</u>	<u>Percent of Total</u>
Current and other assets	\$1,194,555	33.0%	\$1,404,948	37.1%
Capital assets	<u>2,426,713</u>	<u>67.0%</u>	<u>2,381,069</u>	<u>62.9%</u>
Total Assets	<u>\$3,621,268</u>	<u>100.0%</u>	<u>\$3,786,017</u>	<u>100.0%</u>
Long-term liabilities	\$906,627	20.5%	\$1,351,631	31.6%
Other liabilities	<u>3,518,825</u>	<u>79.5%</u>	<u>2,925,936</u>	<u>68.4%</u>
Total Liabilities	<u>\$4,425,452</u>	<u>100.0%</u>	<u>\$4,277,567</u>	<u>100.0%</u>
			<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net assets				
Invested in capital assets, net of related debt			\$1,333,643	\$1,152,229
Unrestricted Net Deficit			(2,137,827)	(1,643,779)
Total Net Assets (Deficit)			<u>\$( 804,184)</u>	<u>\$( 491,550)</u>
Operating Revenue:				
Net patient revenue			\$8,855,860	\$9,897,858
Other operating revenue			<u>555,117</u>	<u>269,466</u>
Total Operating Revenue			<u>9,410,977</u>	<u>10,167,324</u>
Operating Expenses:				
Salaries and benefits			5,319,911	5,814,448
Medical supplies and drugs			951,177	962,872
Other supplies			114,792	153,280
Insurance			96,413	89,495
Depreciation			479,260	427,561
Other expenses			<u>2,660,791</u>	<u>2,965,776</u>
Total Operating Expenses			<u>9,622,344</u>	<u>10,413,432</u>
Operating Loss			<u>(211,367)</u>	<u>(246,108)</u>
Nonoperating Revenues (Expenses):				
Interest income			451	262
Interest expense			(101,718)	(123,449)
Gain on disposal of fixed assets			-	23,748
Contribution from Decatur County			<u>-</u>	<u>35,000</u>
Total Nonoperating Revenues (Expenses)			<u>(101,267)</u>	<u>(64,439)</u>
Excess of Expenses Over Revenues And Decrease in Net Assets			<u>(312,634)</u>	<u>(310,547)</u>
Net Assets:				
Beginning			<u>(491,550)</u>	<u>(181,003)</u>
Ending			<u>\$ (804,184)</u>	<u>\$ (491,550)</u>

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Property and equipment net of accumulated depreciation increased by \$45,644, or 1.9%. Accumulated depreciation increased \$479,260, or 7.4%.

At June 30, 2011, the Hospital has long-term debt instruments totaling \$1,624,981. This is a reduction of \$270,770 from the previous year's debt of \$1,895,751. Of the \$1.6 million of debt, \$718,354 is considered current. The amount of \$994,194 is the total amount of debt (net of the loss on past bond refunding of \$10,806) currently held by Decatur County.

An amount of \$588,995 represents notes payable to a local bank secured by accounts receivable and certain long-term assets. The notes have an interest rate of 7%. We also have capital lease obligations totaling \$41,792.

## **ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES**

The breakdown for operating revenue consists of approximately 25.6% inpatient and 74.4% outpatient. The inpatient revenue continues to trend lower, as the prior year was 29.3%, and 2008-09 was 31.2%.

Medicare and TennCare revenues make up 74% of the Hospital's total patient revenue. Commercial payers total 19% and private-pay represents 7%.

The budgeting process for the upcoming year beginning July 1, 2011 requires significant participation by facility department managers.

For the fiscal year beginning July 1, 2011, the Hospital projects \$9,824,752 in total net patient revenues. Operating expenses are budgeted at \$9,902,211. Recognizing other sources of income produces \$103,555 of income in excess of expenses. Included in the budgeted revenues are long-standing and previously mentioned new services of Magnetic Resonance Imaging (MRI), Sleep Center, the Hospitalist program, new surgeon, nurse practitioner clinic, and pain management specialist.

## **CONTACTING THE DECATUR COUNTY GENERAL HOSPITAL MANAGEMENT**

The financial report is designed to provide our citizens, customers, taxpayers and creditors with a general overview of the Hospital's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Accounting Department for the Decatur County General Hospital, 969 Tennessee Avenue South, Parsons, Tennessee 38363.

The Decatur County General Hospital Board of Trustees consists of the following individuals:

- Dale A. Scott, Chairman
- Preston Shaw, Secretary
- Wayne Stanfill
- Will Quinn
- Mary Ivey
- Jason Rushing
- Robert Watkins

The Senior Management of Decatur County General Hospital consists of the following officers:

- Norene Pumphrey, Chief Executive Officer
- Tamara H. Pagitt, Controller

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**BALANCE SHEETS**  
**JUNE 30, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 182,827	\$ 293,977
Patient accounts receivable, net of estimated uncollectibles of \$1,812,445 in 2011 and \$1,344,091 in 2010	743,708	760,902
Inventories	191,337	253,308
Prepaid expenses	47,336	33,467
Due from physicians	<u>29,347</u>	<u>63,294</u>
 Total current assets	 <u>1,194,555</u>	 <u>1,404,948</u>
<b>CAPITAL ASSETS</b>		
Land	81,696	81,696
Depreciable capital assets	<u>9,279,887</u>	<u>8,754,983</u>
	9,361,583	8,836,679
Less accumulated depreciation	<u>6,934,870</u>	<u>6,455,610</u>
 Total capital assets, net	 <u>2,426,713</u>	 <u>2,381,069</u>
 Total assets	 <u>\$ 3,621,268</u>	 <u>\$ 3,786,017</u>

(The accompanying notes are an integral part of these statements.)

**LIABILITIES AND NET ASSETS (DEFICIT)**

	<u>2011</u>	<u>2010</u>
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 718,354	\$ 544,120
Accounts payable	1,192,292	837,702
Accrued compensated absences	312,734	414,776
Other accrued expenses	239,248	216,661
Estimated third-party payor settlements	<u>1,056,197</u>	<u>912,677</u>
 Total current liabilities	 <u>3,518,825</u>	 <u>2,925,936</u>
 <b>LONG-TERM DEBT</b> , less current maturities shown above		
	 <u>906,627</u>	 <u>1,351,631</u>
 <b>NET ASSETS (DEFICIT):</b>		
Invested in capital assets net of related debt	1,333,643	1,152,229
Unrestricted	<u>(2,137,827)</u>	<u>(1,643,779)</u>
 Total net assets (deficit)	 <u>(804,184)</u>	 <u>(491,550)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 3,621,268</u>	 <u>\$ 3,786,017</u>

(The accompanying notes are an integral part of these statements.)

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS (DEFICIT)**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUE:</b>		
Net patient service revenue, net of provisions for bad debts of \$1,063,752 in 2011 and \$1,206,809 in 2010	\$ 8,855,860	\$ 9,897,858
Other revenue	555,117	269,466
Total operating revenue	9,410,977	10,167,324
<b>OPERATING EXPENSES:</b>		
Salaries and benefits	5,319,911	5,814,448
Medical supplies and drugs	951,177	962,872
Other supplies	114,792	153,280
Insurance	96,413	89,495
Depreciation	479,260	427,561
Other expenses	2,660,791	2,965,776
Total operating expenses	9,622,344	10,413,432
<b>OPERATING LOSS</b>	<b>(211,367)</b>	<b>(246,108)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	451	262
Interest expense	(101,718)	(123,449)
Gain on disposal of fixed assets	-	23,748
Contribution from Decatur County	-	35,000
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(101,267)</b>	<b>(64,439)</b>
<b>EXCESS OF EXPENSES OVER REVENUES AND DECREASE IN NET ASSETS</b>	<b>(312,634)</b>	<b>(310,547)</b>
<b>NET ASSETS:</b>		
Beginning	(491,550)	(181,003)
Ending	\$ (804,184)	\$ (491,550)

(The accompanying notes are an integral part of these statements.)

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from patients and third-party payors	\$ 10,080,326	\$ 12,108,274
Cash payments to suppliers for goods and services	(5,318,890)	(5,825,924)
Cash payments to employees for services	(4,530,762)	(5,913,373)
Other revenue	555,117	269,466
Net cash provided by operating activities	785,791	638,443
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Payments on long-term debt	(149,488)	(334,723)
Interest paid	(47,204)	(58,595)
Net cash used in noncapital financing activities	(196,692)	(393,318)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(524,904)	(239,599)
Proceeds from sale of equipment	-	31,400
Payments on bonds payable, net of contribution from Decatur County	(105,000)	(66,070)
Payments on long-term debt	(19,883)	(29,639)
Interest paid	(50,913)	(59,741)
Net cash used in capital and related financing activities	(700,700)	(363,649)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	451	262
Net cash provided by investing activities	451	262
<b>NET DECREASE IN CASH</b>	(111,150)	(118,262)
<b>CASH:</b>		
Beginning	293,977	412,239
Ending	\$ 182,827	\$ 293,977

(The accompanying notes are an integral part of these statements.)

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	(211,367)	(246,108)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	479,260	427,561
Provision for bad debts	1,063,752	1,206,809
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,046,558)	(474,609)
Inventory	61,971	5,731
Prepaid expenses	(13,869)	8,797
Due from physicians	33,947	20,973
Increase (decrease) in:		
Accounts payable	354,590	(144,140)
Accrued compensated absences	(102,042)	(350,992)
Other accrued expenses	22,587	(86,988)
Estimated third-party payor settlements	143,520	271,409
	<u>\$ 785,791</u>	<u>\$ 638,443</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Capital lease	<u>\$ -</u>	<u>\$ 63,276</u>

(The accompanying notes are an integral part of these statements.)

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting entity -**

Decatur County General Hospital (the Hospital) is a political subdivision of Decatur County, Tennessee (the County). The Hospital is a 40-bed community hospital located in Parsons, Tennessee, that provides health care services to patients primarily in the Decatur County area. The Decatur County Emergency Medical Services is considered a department of the Hospital and is included within these financial statements. The Hospital is governed by a Board of Trustees under the authority of the Board of Commissions of the County. The Board of County Commissioners appoints the Board of Trustees of the Hospital. Under accounting principles generally accepted in the United States of America, the Hospital constitutes a component unit of the County for financial reporting purposes.

**Enterprise fund accounting -**

The Hospital uses the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Accounting standards -**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Use of estimates -**

The preparation of financial statements in conformity with generally accepted accounting principles require 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.

**Net patient service revenue -**

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$9,600,000 and \$11,000,000 for the years ended June 30, 2011 and 2010, respectively.

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**Net patient service revenue** (continued) -

Revenue from the Medicare and Medicaid programs accounted for approximately 48 and 6 percent and 51 and 5 percent for the years ended June 30, 2011 and 2010, respectively, of the Hospital's net patient service revenue. 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.

**Charity care** -

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges under this policy were \$27,487 and \$170,790 for the years ended June 30, 2011 and 2010, respectively.

**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 interest, grants, and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Income taxes** -

The Hospital, as a component unit of Decatur County, Tennessee, is exempt from federal and state income taxes.

**Inventories** -

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

**Accounts receivable** -

Accounts receivable are stated at the amount the Hospital expects to collect. The Hospital maintains allowances for doubtful accounts for estimated losses resulting from the inability of its patients to make required payments. Management considers the following factors when determining the collectability of specific patient accounts: payor credit-worthiness, past transaction history with the payor, current economic industry trends, and changes in payor payment terms. If the financial condition of the Hospital's payors or patients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Hospital provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that remain outstanding after the Hospital has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**Capital assets -**

Assets with a useful life of greater than one year and a cost of greater than \$1,500 are recorded as capital assets and are stated at cost. Depreciation is calculated over the estimated useful lives using the straight-line method. Expenditures for maintenance, repairs, renewals and betterments that do not significantly extend the useful lives of the assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books, and any resulting gain or loss is reflected in income for the period.

A summary of estimated useful lives follows –

	<b><u>Estimated Useful Lives</u></b>
Land improvements	5-15 years
Buildings and improvements	15-42 years
Machinery and equipment	3-38 years

**Cash -**

The Hospital considers currency on hand and demand deposits with financial institutions to be cash. The Hospital considers all highly liquid investments with original maturities of three months or less to be cash equivalents. State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements, pooled investment funds, and state or local bonds, rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2011 and 2010.

**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; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Net assets -**

Net assets of the Hospital are classified in four components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Restricted nonexpendable net assets equal the principal portion of permanent endowments. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. There were no restricted assets at June 30, 2011 or 2010.

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

Net assets (continued) -

	<b>2011</b>	<b>2010</b>
Property and equipment, net	\$ 2,426,713	\$ 2,381,069
Less		
Current portion of long-term debt related to the acquisition of property and equipment	(186,623)	(153,878)
Long-term debt, excluding current portion relating to the acquisition of property and equipment	(906,627)	(1,074,962)
	<b>\$ 1,333,643</b>	<b>\$ 1,152,229</b>

**(2) CASH:**

For deposits, custodial risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 110% of all amounts not covered by a federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. All of the Hospital's cash and cash equivalents are insured or collateralized by securities held by the financial institutions' trust department in the Hospital's name.

The Hospital currently has no formal policy addressing custodial risk, except to comply with State statutes.

**(3) NET PATIENT SERVICE REVENUE:**

The Hospital received revenue under various third-party reimbursement programs which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings and its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The 2010 net patient service revenue increased \$117,244 due to prior years retroactive adjustments in excess of amounts previously estimated.

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(3) NET PATIENT SERVICE REVENUE** (Continued):

**Medicare -**

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for Medicare outpatient services under a Prospective Payment System (OPPS) based on clinical, diagnostic, and other factors. 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 review by the Medicare fiscal intermediary.

**TennCare -**

On January 1, 1994, the Medicaid program for acute care services was replaced by a waiver program approved by CMS (Center for Medicare/Medicaid Services). Under the program, the Hospital enters into agreements with state contracted managed care organizations which reimburse the Hospital using various payment methodologies, such as prospectively determined rates per discharge, prospectively determined daily rates, and discounts from established charges.

**Others -**

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

**(4) INVENTORIES:**

Inventories on June 30, 2011 and 2010, consist of the following -

	<u>2011</u>	<u>2010</u>
Pharmacy	\$ 96,169	\$ 120,268
General supplies	53,245	80,405
Dietary	5,905	5,631
Laboratory	29,159	37,417
Radiology	2,355	2,344
EMS	<u>4,504</u>	<u>7,243</u>
	<u>\$ 191,337</u>	<u>\$ 253,308</u>

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(5) CAPITAL ASSETS:**

A summary of changes in capital assets follows -

	<u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>2011</u>
Land	\$ 81,696	\$ -	\$ -	\$ 81,696
Land improvements	153,221	-	-	153,221
Building and improvements	2,754,466	20,050	-	2,774,516
Machinery and equipment	<u>5,847,296</u>	<u>504,854</u>	-	<u>6,352,150</u>
Totals at historical cost	<u>8,836,679</u>	<u>524,904</u>	-	<u>9,361,583</u>
Less accumulated depreciation:				
Land improvements	153,200	22	-	153,222
Buildings and improvements	1,610,334	93,052	-	1,703,386
Machinery and equipment	<u>4,692,076</u>	<u>386,186</u>	-	<u>5,078,262</u>
Total accumulated depreciation	<u>6,455,610</u>	<u>479,260</u>	-	<u>6,934,870</u>
Capital assets, net	<u>\$ 2,381,069</u>	<u>\$ 45,644</u>	<u>\$ -</u>	<u>\$ 2,426,713</u>
	<u>2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>2010</u>
Land	\$ 81,696	\$ -	\$ -	\$ 81,696
Land improvements	153,221	-	-	153,221
Building and improvements	2,726,874	27,592	-	2,754,466
Machinery and equipment	<u>5,648,160</u>	<u>303,467</u>	<u>104,331</u>	<u>5,847,296</u>
Totals at historical cost	<u>8,609,951</u>	<u>331,059</u>	<u>104,331</u>	<u>8,836,679</u>
Less accumulated depreciation:				
Land improvements	153,154	46	-	153,200
Buildings and improvements	1,515,009	95,325	-	1,610,334
Machinery and equipment	<u>4,455,566</u>	<u>332,190</u>	<u>95,680</u>	<u>4,692,076</u>
Total accumulated depreciation	<u>6,123,729</u>	<u>427,561</u>	<u>95,680</u>	<u>6,455,610</u>
Capital assets, net	<u>\$ 2,486,222</u>	<u>\$ (96,502)</u>	<u>\$ 8,651</u>	<u>\$ 2,381,069</u>

Amortization of assets acquired under capital lease obligations is included in depreciation expense.

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(6) LONG-TERM DEBT:**

	<b>2011</b>	<b>2010</b>
Bonds payable	\$ 1,005,000	\$ 1,110,000
Less: deferred loss on bond refunding	(10,806)	(14,407)
Note payable to bank, payable in monthly installments of \$35,461 including interest at 7% per annum, until January 2012, secured by accounts receivable and certain equipment	-	666,911
Note payable to bank, payable in monthly installments of \$3,080 including interest at 7% per annum, until June 2012, secured by certain equipment	-	71,572
Capital lease obligation payable in monthly installments of \$1,934 including interest at 6.309% until June 2013, collateralized by leased equipment	41,792	61,675
Note payable to bank, payable in monthly installments of \$7,529 including interest at 7% per annum for 12 consecutive payments, with final payment equal to entire remaining unpaid principal balance and interest, until January 2012, secured by certain equipment	588,995	-
	1,624,981	1,895,751
Less current maturities	718,354	544,120
	<u>\$ 906,627</u>	<u>\$ 1,351,631</u>

Hospital Revenue and Tax Refunding and Improvement Bond Series 1999, dated April 1, 1999, were issued for the purpose of (a) advance refunding the Series 1994 bonds, and (b) financing the construction of additions to and equipping of the Hospital. They are due in annual principal installments through 2019 and semiannual installments of interest from 4.4% to 5.4%. Hospital revenues are the source of payment. The Hospital is responsible to remit funds to the County in amounts that are sufficient to cover the scheduled debt service payments. The Hospital incurred a loss on bond refunding related to these notes that will be amortized over the life of the bonds. The deferred loss has a balance of \$10,806 and \$14,407 as of June 30, 2011 and 2010, respectively.

The capital leased asset has a cost for both years of \$63,276 and a carrying value of \$41,792 and \$61,342 at June 30, 2011 and 2010, respectively.

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(6) LONG-TERM DEBT** (Continued):

Scheduled payments on long-term debt are as follows -

Year ending June 30	Bonds and notes payable		Capital lease	
	Principal	Interest	Principal	Interest
2012	\$ 698,995	\$ 70,229	\$ 19,359	\$ 1,913
2013	110,000	43,070	22,433	774
2014	115,000	38,120	-	-
2015	120,000	32,888	-	-
2016-19	<u>550,000</u>	<u>71,668</u>	<u>-</u>	<u>-</u>
	<u>1,593,995</u>	<u>\$ 255,975</u>	<u>\$ 41,792</u>	<u>\$ 2,687</u>
Deferred loss on bond refunding	<u>(10,806)</u>			
	<u>\$ 1,583,189</u>			

Activity for long-term debt for 2011 and 2010 follows -

	<u>2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>2011</u>	<u>Amount due within one year</u>
Bonds payable	\$ 1,110,000	\$ -	\$ 105,000	\$ 1,005,000	\$ 110,000
Deferred loss on bond refunding	(14,407)	3,601	-	(10,806)	-
Notes payable	738,483	-	149,488	588,995	588,995
Capital lease	<u>61,675</u>	<u>-</u>	<u>19,883</u>	<u>41,792</u>	<u>19,359</u>
Total long-term debt	<u>\$ 1,895,751</u>	<u>\$ 3,601</u>	<u>\$ 274,371</u>	<u>\$ 1,624,981</u>	<u>\$ 718,354</u>

	<u>2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>2010</u>	<u>Amount due within one year</u>
Bonds payable	\$ 1,211,070	\$ -	\$ 101,070	\$ 1,110,000	\$ 105,000
Deferred loss on bond refunding	(18,008)	3,601	-	(14,407)	-
Notes payable	1,101,244	-	362,761	738,483	420,942
Capital lease	<u>-</u>	<u>63,276</u>	<u>1,601</u>	<u>61,675</u>	<u>18,178</u>
Total long-term debt	<u>\$ 2,294,306</u>	<u>\$ 66,877</u>	<u>\$ 465,432</u>	<u>\$ 1,895,751</u>	<u>\$ 544,120</u>

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**(7) COMPENSATED ABSENCES:**

The Hospital provides its full-time and part-time employees with paid days off for holiday, vacation, sick leave, and bereavement absences. The paid days off begin accruing immediately, however, it is not available to the employee until they have been employed after a six month probationary period. If an employee terminates employment before one year, the paid days off is forfeited. Paid days off is based on the schedule which follows. Such days may be taken only after the employee has earned them. An employee may carry forward up to 240 hours with less than 5 years of employment and up to 320 hours with 5 or more years of employment. Such liabilities have been accrued in the accompanying statement of net assets.

A summary of accruing rates follows -

2011			
Full time employees		Part-time employees	
Years of service	Hours earned per year	Years of service	Hours earned per hour
0-1	160	0-1	0.07712
2-4	194	2-4	0.09347
5-14	235	5-14	0.11300
15 or more	254	15 or more	0.12200

  

2010			
Full time employees		Part-time employees	
Years of service	Hours earned per year	Years of service	Hours earned per hour
0-1	176	0-1	0.08461
2-4	210	2-4	0.10096
5-14	251	5-14	0.12067
15 or more	270	15 or more	0.12989

**(8) PENSION PLAN:**

The Hospital established an employee retirement plan effective January 1, 1988. The plan has been amended at various times since 1988 and is maintained on a calendar year basis. The following description of the Decatur County General Hospital Retirement Matching Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan which was adopted to provide retirement benefits for employees of the Hospital. The Plan covers substantially all full-time employees of the Hospital who have completed six months of service (the participants). The Plan is subject to the provision for the Employee Retirement Income Security Act of 1974 (ERISA).

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(8) PENSION PLAN** (Continued):

Participants may voluntarily make qualified retirement contributions to the Plan which are deductible by the participants for federal income tax purposes under Section 457(f) of the Internal Revenue Code (IRC).

In order to participate, employees must make a minimum contribution of 1% of compensation. Participant contributions are permitted up to 100% of compensation.

The Hospital may make matching contributions equal to a discretionary percentage, as determined annually by the Hospital's Retirement Trust Committee. The Hospital made a matching contribution of 3% for the years ending June 30, 2011 and 2010, respectively. The Hospital did suspend matching contribution in October 2010, but resumed again in January 2011. The Hospital contributions for the years ended June 30, 2011 and 2010 were \$39,606 and \$60,711. Benefits of \$269,589, established when the plan was adopted, are being amortized over 43 years, based on the expected future service periods of the original eligible employees.

Hospital and participant contributions may not exceed the maximum amount deductible for federal income tax purposes.

**(9) RELATED PARTY TRANSACTIONS:**

The County has an understanding with the Hospital to remit funds to the County that will pay all amounts required to service the 1999 bonds. At June 30, 2011 and 2010, the Hospital was current with its required principal and interest due to the County. At June 30, 2011 and 2010, the Hospital had approximately \$69,000 in retired bond payments due to the County.

**(10) COMMITMENTS AND CONTINGENCIES:**

**Operating leases -**

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The Hospital leases various equipment under operating lease agreements. Rent expense was \$82,392 and \$65,087 in 2011 and 2010, respectively.

A summary of future minimum payments under these leases as of June 30, 2011 is as follows -

<b>Year ending June 30</b>	
2012	\$ 49,877
2013	41,451
2014	26,317
2015	<u>4,680</u>
	<u>\$ 122,325</u>

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(10) COMMITMENTS AND CONTINGENCIES (Continued):**

**Professional liability insurance -**

The Hospital is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier during the coverage period. Premiums are determined by a variety of factors related to the Hospital.

**Management agreement -**

A management agreement between the Hospital and Quorum Health Resources, Inc., (Quorum) was signed on October 7, 2009, with effective dates of August 25, 2009 through August 24, 2011. The annual fee is \$137,500 for the contract year beginning August 25, 2009, increases annually by a factor equal to the lower of three percent or the percentage increase in the Consumer Price Index, and is payable in equal monthly installments. Management services in addition to the fixed fee services are provided by Quorum as needed at varying rates. The total management fees paid to Quorum were \$130,277 and \$162,256 in 2011 and 2010, respectively.

The management services provided pursuant to the fixed fee include budget assistance, accounting supervision, human resources consultations, and access to a Quorum sponsored volume purchasing program. Certain “administrative fees” may be paid to Quorum by outside vendors that sell goods and services to the Hospital. The administrative fee payable to Quorum by these outside vendors is equal to 3% or less of the purchase price of the goods or services purchased from the vendor by the Hospital. The contract provides that these fees shall be disclosed to the Hospital annually in writing.

The Hospital is renewing their agreement with Quorum, for new effective dates of August 25, 2011 through August 24, 2013.

**Litigation -**

The Hospital is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statement, and will not have a material effect on the Hospital’s results of operations or financial position.

**(11) CONCENTRATIONS OF CREDIT RISK:**

The Hospital is located in Decatur County, Tennessee. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2011 and 2010 follows -

	2011	2010
Medicare	36%	40%
Medicaid/TennCare	9%	11%
Blue Cross/Commercial	24%	27%
Private Pay	31%	22%

**DECATUR COUNTY GENERAL HOSPITAL  
(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(12) SUBSEQUENT EVENTS:**

In July 2011, a bank issued a \$250,000 line of credit to the Hospital, which expires on December 31, 2011. The line of credit agreement has a stated interest rate of 6.75%. The purpose of this loan is to establish a temporary line of credit to support cash flow needs of the Hospital. The line of credit is secured by certain equipment.

For the year ended June 30, 2011, the Hospital has evaluated subsequent events for potential recognition and disclosure through December 19, 2011, the date through which these financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**SCHEDULE 1 - SALARIES AND BENEFITS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>NURSING SERVICES:</b>		
Nursing administration	\$ 85,936	\$ 90,474
Medical/surgical nursing	1,046,926	1,084,796
Surgery	65,670	96,970
Emergency room	415,773	466,848
 Total nursing services	 1,614,305	 1,739,088
 <b>OTHER PROFESSIONAL SERVICES:</b>		
Outpatient clinic	85,303	76,283
Physician clinics	84,992	42,520
Respiratory	169,410	180,476
School nurse program	60,436	30,159
Laboratory	406,167	469,191
Radiology	398,951	426,301
Pharmacy	154,634	200,073
Biomed information systems	45,703	45,798
Physical therapy	150,657	195,373
EMS	639,639	636,217
 Total other professional services	 2,195,892	 2,302,391
 <b>GENERAL SERVICES:</b>		
IT software	68,945	51,797
Medical records	146,729	179,816
Dietary	114,580	133,142
Maintenance	80,970	84,717
Environmental services	91,868	122,131
Purchasing	79,684	102,664
JCAHO/CQI/risk management	153,846	152,153
Community relations	23,818	24,657
 Total general services	 760,440	 851,077

	<u>2011</u>	<u>2010</u>
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Human resources	68,626	87,496
Finance administration	-	64,795
General accounting	108,735	137,350
Business office	304,646	339,536
Administration	199,619	172,056
Physicians billing	<u>67,648</u>	<u>120,659</u>
 Total administrative and fiscal services	 <u>749,274</u>	 <u>921,892</u>
 <b>TOTAL SALARIES AND BENEFITS</b>	 <u>\$ 5,319,911</u>	 <u>\$ 5,814,448</u>

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**SCHEDULE 2 - MEDICAL SUPPLIES AND DRUGS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>NURSING SERVICES:</b>		
Nursing administration	\$ 12	\$ -
Medical/surgical nursing	52,524	44,399
Surgery	98,090	59,840
Emergency room	24,403	25,898
 Total nursing services	 175,029	 130,137
<b>OTHER PROFESSIONAL SERVICES:</b>		
Outpatient clinic	3,853	4,126
Physician clinics	1,975	25
Respiratory	8,899	11,319
School nurse program	476	-
IV solutions	47,898	52,300
Laboratory	261,109	320,729
Radiology	19,796	50,914
Pharmacy	405,494	358,446
Physical therapy	3,061	1,846
EMS	23,587	33,030
 Total other professional services	 776,148	 832,735
 <b>TOTAL MEDICAL SUPPLIES AND DRUGS</b>	 <b>\$ 951,177</b>	 <b>\$ 962,872</b>

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**SCHEDULE 3 - OTHER SUPPLIES**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>NURSING SERVICES:</b>		
Nursing administration	\$ 2,318	\$ 101
Medical/surgical nursing	4,609	10,983
Surgery	635	1,071
Emergency room	<u>3,432</u>	<u>3,197</u>
 Total nursing services	 <u>10,994</u>	 <u>15,352</u>
<b>OTHER PROFESSIONAL SERVICES:</b>		
Outpatient clinic	1,621	4,186
Physician clinics	903	-
Respiratory	6,902	6,772
IV solutions	143	336
Laboratory	3,796	3,767
Radiology	5,119	14,581
Pharmacy	2,711	2,533
Biomed information systems	22	10
Physical therapy	332	502
EMS	<u>1,053</u>	<u>1,409</u>
 Total other professional services	 <u>22,602</u>	 <u>34,096</u>
<b>GENERAL SERVICES:</b>		
IT software	26	10
Medical records	810	2,928
Dietary	43,823	54,463
Maintenance	15,263	13,968
Environmental services	14,280	18,440
Laundry and linen	17	-
Purchasing	644	5,892
JCAHO/CQI/risk management	589	195
Community relations	<u>297</u>	<u>478</u>
 Total general services	 <u>75,749</u>	 <u>96,374</u>

	<u>2011</u>	<u>2010</u>
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Human resources	1,053	1,357
Finance administration	17	212
General accounting	906	1,410
Business office	2,551	2,930
Administration	901	1,075
Physicians billing	<u>19</u>	<u>474</u>
 Total administrative and fiscal services	 <u>5,447</u>	 <u>7,458</u>
 <b>TOTAL OTHER SUPPLIES</b>	 <u>\$ 114,792</u>	 <u>\$ 153,280</u>

**DECATUR COUNTY GENERAL HOSPITAL**  
**(A COMPONENT UNIT OF DECATUR COUNTY, TENNESSEE)**  
**SCHEDULE 4 - OTHER EXPENSES**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>NURSING SERVICES:</b>		
Nursing administration	\$ 89	\$ 542
Medical/surgical nursing	4,275	34,202
Surgery	36,893	129,260
Emergency room	<u>583,259</u>	<u>633,392</u>
Total nursing services	<u>624,516</u>	<u>797,396</u>
<b>OTHER PROFESSIONAL SERVICES:</b>		
Outpatient clinic	5,039	4,885
Physician clinics	8,041	1,620
Respiratory	11,374	17,964
Hospitalist	159,291	259,892
IV solutions	-	275
Laboratory	88,421	96,929
Radiology	652,490	709,153
Pharmacy	54,287	12,062
Biomed information systems	30,426	34,928
Physical therapy	13,159	8,902
EMS	<u>70,235</u>	<u>83,819</u>
Total other professional services	<u>1,092,763</u>	<u>1,230,429</u>
<b>GENERAL SERVICES:</b>		
IT software	158,488	127,219
Medical records	34,169	31,753
Dietary	3,749	4,735
Maintenance	151,133	172,744
Environmental services	6,220	9,640
Laundry/linen	52,712	59,396
Purchasing	5,267	310
JCAHO/CQI/risk management	43,389	32,618
Community relations	<u>7,616</u>	<u>7,441</u>
Total general services	<u>462,743</u>	<u>445,856</u>

	<u>2011</u>	<u>2010</u>
<b>ADMINISTRATIVE AND FISCAL SERVICES:</b>		
Human resources	26,040	23,448
Finance administration	55,408	55,732
General accounting	87,178	10,076
Business office	105,329	137,414
Administration	188,759	240,181
Physicians billing	<u>18,055</u>	<u>25,244</u>
 Total administrative and fiscal services	 <u>480,769</u>	 <u>492,095</u>
 <b>TOTAL OTHER EXPENSES</b>	 <u>\$ 2,660,791</u>	 <u>\$ 2,965,776</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**To the Board of Trustees of  
Decatur County Medical Center (a component unit of Decatur County, Tennessee):**

We have audited the financial statements of Decatur County General Hospital (a component unit of Decatur County, Tennessee) (the Hospital), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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*.

This report is intended solely for the information and use of management, Board of Trustees, the State of Tennessee, and the Decatur County Government and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson, Wickey & Meacham, P.C.*

Chattanooga, Tennessee  
December 19, 2011

