

GREENE COUNTY MEDICAL CENTER
INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2004 AND 2003

GREENE COUNTY MEDICAL CENTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Greene County Medical Center
Jefferson, Iowa

We have audited the accompanying balance sheets of Greene County Medical Center as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 provide a reasonable basis for our opinion.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Greene County Medical Center as of June 30, 2004 and 2003, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4e and 19 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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.

To the Board of Trustees
Greene County Medical Center

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 20 through 34) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2004 on our consideration of Greene County Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral 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.

Granewold, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
July 30, 2004

GREENE COUNTY MEDICAL CENTER

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"Friends and Neighbors Caring For You"

GREENE COUNTY MEDICAL CENTER MANAGEMENT DISCUSSION AND ANALYSIS

Greene County Medical Center offers readers of our financial statements this narrative overview and analysis of the financial activities of the medical center for the fiscal years ended June 30, 2004 and June 30, 2003. We encourage readers to consider the information presented here in conjunction with the Greene County Medical Center's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

The Medical Center's net assets have increased in each of the past two years, with a \$315,747 or 2.1 percent increase in 2004 and a \$796,673 or 5.5 percent increase in 2003.

The Medical Center's operating loss increased from \$416,612 in 2003 to \$907,937 in 2004.

The Medical Center's reserves (Internally designated assets) decreased by \$506,305 in 2004.

Net property and equipment increased by \$546,052 or 8.1% in 2004.

USING THIS ANNUAL REPORT

The Medical Center's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Our analysis of the Medical Center's finances begins on page 5. One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center 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 Assets report information about the Medical Center'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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GREENE COUNTY MEDICAL CENTER
MANAGEMENT DISCUSSION AND ANALYSIS - Continued

These two statements report the Medical Center's net assets and changes in them. You can think of the Medical Center's net assets - the difference between assets and liabilities - as one way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Medical Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

THE STATEMENT OF CASH FLOWS

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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 balance during the reporting period?"

THE MEDICAL CENTER'S NET ASSETS

The Medical Center's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The Medical Center's net assets increased in each of the past two years by \$315,747 (2.1 percent) in 2004 and \$796,673 (5.5 percent) in 2003, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 5,317,523	\$ 4,551,983
Capital assets, net	7,293,663	6,747,611
Other noncurrent assets	<u>5,780,522</u>	<u>6,392,952</u>
Total assets	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>
Liabilities:		
Current liabilities	\$ 2,711,443	\$ 2,328,028
Long-term debt outstanding	<u>--</u>	<u>--</u>
Total liabilities	<u>\$ 2,711,443</u>	<u>\$ 2,328,028</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 7,293,663	\$ 6,747,611
Restricted expendable net assets	181,623	193,461
Restricted nonexpendable net assets	275,000	275,000
Unrestricted	<u>7,929,979</u>	<u>8,148,446</u>
Total net assets	<u>\$ 15,680,265</u>	<u>\$ 15,364,518</u>

GREENE COUNTY MEDICAL CENTER
MANAGEMENT DISCUSSION AND ANALYSIS - Continued

A significant component of the change in the Medical Center's assets was the growth in the current assets. A buildup in the cash accounts occurred based upon the anticipation of funding the major capital expenditures related to the LTC/Front Entrance project and the installation of the new information system.

Net capital assets increased by \$546,052 or 8.1% due to the major capital projects completed during the year. Those projects included the replacement of the emergency generator, 1937 elevator, PH/Education center roof and ultrasound equipment in Radiology.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

In 2004, the Medical Center's net assets increased by \$315,747 or 2.1 percent, as shown in Table 2. This increase is made up of very different components. And it represents a decline of 60.4 percent compared with the increase in net assets for 2003 of \$796,673.

Table 2: Operating Results and Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Net patient service revenues	\$ 12,319,076	\$ 11,985,189
Other operating revenues	<u>475,542</u>	<u>498,305</u>
Total operating revenues	12,794,618	12,483,494
Operating Expenses:		
Salaries and benefits	8,789,407	8,207,920
Professional fees	1,141,049	992,635
Other operating expenses	3,018,983	2,983,078
Depreciation and amortization	<u>753,116</u>	<u>716,473</u>
Total operating expenses	<u>13,702,555</u>	<u>12,900,106</u>
Operating Loss	(907,937)	(416,612)
Nonoperating Revenues and Expenses:		
Property taxes	696,441	714,033
Investment income	80,422	120,026
Noncapital grants and contributions	334,923	293,771
Gain on disposal of assets	475	900
Interest expense	<u>--</u>	<u>(962)</u>
Total nonoperating revenues (expenses)	<u>1,112,261</u>	<u>1,127,768</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Endowments	204,324	711,156
Grants, Contributions, and Endowments:		
Capital grants and contributions	130,173	101,767
Medical Occupation Scholarships	<u>(18,750)</u>	<u>(16,250)</u>
Increase in net assets	315,747	796,673
Net Assets Beginning of Year	<u>15,364,518</u>	<u>14,567,845</u>
Net Assets End of Year	<u>\$ 15,680,265</u>	<u>\$ 15,364,518</u>

GREENE COUNTY MEDICAL CENTER
MANAGEMENT DISCUSSION AND ANALYSIS - Continued

OPERATING LOSSES

The first component of the overall change in the Medical Center's net assets is its operating loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. This is consistent with the Medical Center's entire operating history. The Medical Center's operations were begun in 1937 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In 2003, the operating loss was \$416,612. In 2004, the operating loss increased to \$907,937 due to combination of items.

The primary components of the increased operating loss are:

A drop in swingbed day volume of 25.5% in the Medical-Surgical area.

A drop in patient day volume of 6.7% in the Long Term Care area.

Increases in salary and benefit costs for the Medical Center's employees of 7.1% (\$581,487). Costs related to the employee self-funded insurance costs accounted for a major portion of the increase, with a 34.0% increase.

Professional fees increased 15.0% (\$148,414), due primarily to increases in purchased services in Radiology, Anesthesia, Physical Therapy, Speech Therapy, Occupational Therapy and Emergency Room physician coverage.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Medical Center, grants mostly through our Public Health department and interest revenue and investment earnings. The change in property tax dollars was due to valuation changes only. The tax level has remained the same in each of the fiscal years.

The decrease in investment income was a result of the continual drop in interest rates over the last year along with the reduction in reserves spent for the capital purchases during the fiscal year.

Grant dollars have increased in each of the last two fiscal years due to Public Health pursuing new grant dollars for the people of Greene County.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Medical Center has received both capital and operating contributions from both the Greene County Medical Center Foundation and the GCMC Auxiliary over the last two years to fund new equipment and a second recruitment loan for a new family physician.

GREENE COUNTY MEDICAL CENTER
MANAGEMENT DISCUSSION AND ANALYSIS - Continued

BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2004 was prepared on a modified accrual basis. Actual revenues and expenses, both were under the budgeted figures due to delays in proceeding on some major construction projects and purchases of some high dollar equipment.

THE HOSPITAL'S CASH FLOWS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2004, the Medical Center had \$7.3 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2004, the Hospital purchased new equipment costing \$915,024. This is significantly more than the \$116,585 spent to acquire new equipment in 2003.

Construction-in-Progress:

The Medical Center is in the midst of some major improvement projects. The first is the expansion of the Long Term Care East dining room and remodeling of the 1st floor entrance and offices. The construction is to be completed in the spring of 2005, with an estimated cost of \$2.1 million. Through June 2004, costs spent on the project total \$363,000.

The second project is the replacement of the computer information system of the Medical Center. The project involves a number of different phases over the next fiscal year at an estimated cost of \$600,000. Phase I costs through June 2004 total \$93,000.

Debt:

The Medical Center has no long-term debt. The Medical Center has chosen to fund these latest capital projects out of reserves and donations from the GCMC Foundation.

OTHER ECONOMIC FACTORS

The Medical Center considered many factors when setting the fiscal 2005 budget. Both local and national economic factors were considered, such as:

- Medicare and Medicaid reimbursement rates
- Privacy legislation (HIPAA)
- Market-driven cost of living salary increases
- Cost of supplies
- Capital purchases
- No major changes in local economic employment
- Physician recruitment

GREENE COUNTY MEDICAL CENTER
MANAGEMENT DISCUSSION AND ANALYSIS - Continued

CONTACTING THE MEDICAL CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration offices at Greene County Medical Center in Jefferson, Iowa.

GREENE COUNTY MEDICAL CENTER
Balance Sheets
June 30,

ASSETS

	2004	2003
Current Assets:		
Cash	\$ 1,451,036	\$ 860,693
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$843,000 in 2004, \$755,000 in 2003)	2,550,320	2,522,702
Accounts receivable - other	57,663	114,690
Inventory	195,673	190,793
Prepaid expense	181,744	160,805
Succeeding year property tax receivable	670,000	672,000
Internally designated assets	211,087	30,300
Total current assets	5,317,523	4,551,983
Designated and Restricted Assets:		
Internally designated assets	5,383,986	5,890,291
Restricted assets	456,623	468,461
	5,840,609	6,358,752
Less amounts required to meet current liabilities	211,087	30,300
	5,629,522	6,328,452
Capital Assets:		
Depreciable capital assets, net	6,805,798	6,643,890
Non-depreciable capital assets	487,865	103,721
	7,293,663	6,747,611
Notes Receivable	151,000	64,500
Total assets	\$ 18,391,708	\$ 17,692,546

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Accounts payable - trade	\$ 351,714	\$ 223,939
Accounts payable - plant	160,087	--
Accrued employee compensation	1,006,449	918,596
Estimated third-party payor settlements	461,000	472,000
Deferred grant revenue	11,193	11,193
Other accrued expenses	51,000	30,300
Deferred revenue for succeeding year property tax receivable	<u>670,000</u>	<u>672,000</u>
Total current liabilities	2,711,443	2,328,028
Net Assets:		
Invested in capital assets, net of related debt	7,293,663	6,747,611
Restricted - expendable	181,623	193,461
Non-expendable permanent endowments	275,000	275,000
Unrestricted	<u>7,929,979</u>	<u>8,148,446</u>
Total net assets	<u>15,680,265</u>	<u>15,364,518</u>
Total liabilities and net assets	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>

GREENE COUNTY MEDICAL CENTER
 Statements of Revenues, Expenses and Changes in Net Assets
 Year ended June 30,

	2004	2003
Revenue:		
Net patient service revenue	\$ 12,319,076	\$ 11,985,189
Other revenue	475,542	498,305
Total revenue	12,794,618	12,483,494
Expenses:		
Nursing service	4,157,376	3,966,852
Other professional service	4,563,840	4,365,034
General service	1,957,118	1,875,209
Fiscal and administrative service	2,271,105	1,976,538
Provision for depreciation	753,116	716,473
Total expenses	13,702,555	12,900,106
Operating Loss	(907,937)	(416,612)
Non-Operating Revenues (Expenses):		
County taxes	696,441	714,033
Noncapital grants and contributions	334,923	293,771
Investment income	80,422	120,026
Gain on disposal of equipment	475	900
Interest expense	--	(962)
Non-operating revenues, net	1,112,261	1,127,768
Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Scholarship Distributions	204,324	711,156
Capital Grants and Contributions	130,173	101,767
Medical Occupation Scholarship Distributions	(18,750)	(16,250)
Increase in Net Assets	315,747	796,673
Net Assets Beginning of Year	15,364,518	14,567,845
Net Assets End of Year	\$ 15,680,265	\$ 15,364,518

The accompanying notes are an integral part of these statements.

GREENE COUNTY MEDICAL CENTER
 Statements of Cash Flows
 Year ended June 30,

	2004	2003
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 12,337,485	\$ 11,887,109
Cash paid to suppliers	(5,728,714)	(5,530,925)
Cash paid to employees	(6,996,716)	(6,659,460)
Other revenue	<u>475,542</u>	<u>498,305</u>
Net cash provided by operating activities	87,597	195,029
Cash flows from non-capital financing activities:		
County tax revenue	696,441	714,033
Noncapital grants and contributions	<u>334,923</u>	<u>293,771</u>
Net cash provided by non-capital financing activities	1,031,364	1,007,804
Cash flows from capital and related financing activities:		
Capital grants and contributions	130,173	101,767
Capital expenditures	(861,075)	(138,290)
Construction in progress expenditures	(278,006)	(85,548)
Principal paid on revenue notes	--	(248,418)
Proceeds from sale of property and equipment	475	900
Interest paid	<u>--</u>	<u>(2,246)</u>
Net cash used in capital and related financing activities	(1,008,433)	(371,835)
Cash flows from investing activities:		
Medical occupation scholarship distributions	(18,750)	(16,250)
Increase in notes receivable	(100,000)	(60,000)
Change in designated and restricted assets	96,474	(498,911)
Investment income	<u>80,422</u>	<u>120,026</u>
Net cash provided by (used in) investing activities	<u>58,146</u>	<u>(455,135)</u>
Net increase in cash and cash equivalents	168,674	375,863
Cash and cash equivalents at beginning of year	<u>2,946,002</u>	<u>2,570,139</u>
Cash and cash equivalents at end of year	<u>\$ 3,114,676</u>	<u>\$ 2,946,002</u>

(continued next page)

GREENE COUNTY MEDICAL CENTER
 Statements of Cash Flows - Continued
 Year ended June 30,

	<u>2004</u>	<u>2003</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 1,451,036	\$ 860,693
Cash and cash equivalents in designated and restricted assets	<u>1,663,640</u>	<u>2,085,309</u>
Total cash and cash equivalents	<u>\$ 3,114,676</u>	<u>\$ 2,946,002</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(907,937)	\$(416,612)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	753,116	716,473
Provision for bad debts	372,526	308,591
Amortization of notes receivable	13,500	1,500
Change in assets and liabilities		
Accounts receivable	(343,117)	(545,671)
Inventory	(4,880)	6,558
Prepaid expense	(20,939)	(87,838)
Accounts payable - trade	127,775	(4,245)
Accrued employee compensation	87,853	90,973
Estimated third-party payor settlements	(11,000)	139,000
Other accrued expenses	<u>20,700</u>	<u>(13,700)</u>
Total adjustments	<u>995,534</u>	<u>611,641</u>
Net cash provided by operating activities	<u>\$ 87,597</u>	<u>\$ 195,029</u>

The accompanying notes are an integral part of these statements.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Greene County Medical Center (the Hospital) is a critical access county hospital which provides inpatient, outpatient, long-term care, and other related healthcare services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Greene County Medical Center Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$3,086,000 (\$2,969,000 in 2003) and an increase in the change in net assets of approximately \$117,000 (\$403,000 in 2003) for the year ended June 30, 2004.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. 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.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives.

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either 2004 or 2003.

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off accumulates to a maximum of 480 hours. Paid time off benefits stop accruing once the maximum hours are reached. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note C.

15. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. 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*.

17. 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. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services, most outpatient services, and defined capital costs related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2002. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has 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.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2004	2003
Healthcare occupation student loans and scholarships	<u>\$ 181,623</u>	<u>\$ 193,461</u>

Unless the contributor provides specific instructions, law permits the Hospital Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Trustees is required to consider the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board of Trustees has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable net assets as of June 30, 2004 and 2003 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	2004	2003
Healthcare occupation student loans and scholarships	<u>\$ 275,000</u>	<u>\$ 275,000</u>

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	2004	2003
Purchase of property and equipment	\$ 130,173	\$ 101,767
Medical occupation scholarships	18,750	16,250
Long-term debt payments	<u>--</u>	<u>109,847</u>
	<u>\$ 148,923</u>	<u>\$ 227,864</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE D - DESIGNATED NET ASSETS

Of the \$7,929,979 (\$8,148,446 as of June 30, 2003) of unrestricted net assets as of June 30, 2004, \$5,383,986 (\$5,890,291 for 2003) has been designated by the Hospital's Board of Trustees for purposes indicated in the following schedule. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

	2004	2003
Capital acquisitions	\$ 5,274,667	\$ 5,790,251
Employee health insurance	109,319	100,040
	\$ 5,383,986	\$ 5,890,291

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Hospital or its agent in the Hospital's name. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	2004	2003
Internally Designated Assets:		
Cash and cash equivalents	\$ 1,607,977	\$ 2,017,969
Certificates of deposit	3,774,052	3,870,365
Interest receivable	1,957	1,957
	\$ 5,383,986	\$ 5,890,291
Restricted Assets:		
Cash and cash equivalents	\$ 55,663	\$ 67,340
Certificates of deposit	350,000	350,000
Notes receivable	50,849	50,900
Interest receivable	111	221
	\$ 456,623	\$ 468,461

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

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, 2004 and 2003, was as follows:

	<u>2004</u>	<u>2003</u>
Receivable from:		
Patients	\$ 1,279,958	\$ 1,260,772
Medicare	955,389	890,555
Medicaid	239,470	336,886
Wellmark	258,556	207,063
Other commercial insurance carriers	<u>659,947</u>	<u>582,426</u>
	3,393,320	3,277,702
Less allowances for doubtful accounts and contractual adjustments	<u>843,000</u>	<u>755,000</u>
	<u>\$ 2,550,320</u>	<u>\$ 2,522,702</u>

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2004 and 2003 were as follows:

<u>Cost</u>	<u>Balance 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2004</u>
Land Improvements	\$ 352,200	\$ --	\$ --	\$ 352,200
Buildings	5,261,664	138,334	--	5,399,998
Fixed Equipment	6,491,635	595,712	--	7,087,347
Major Movable Equipment	<u>3,112,981</u>	<u>180,978</u>	<u>107,593</u>	<u>3,186,366</u>
	15,218,480	915,024	107,593	16,025,911
<u>Depreciation</u>				
Land Improvements	248,083	14,671	--	262,754
Buildings	2,816,168	153,270	--	2,969,438
Fixed Equipment	3,264,178	320,627	--	3,584,805
Major Movable Equipment	<u>2,246,161</u>	<u>264,548</u>	<u>107,593</u>	<u>2,403,116</u>
Total Depreciation	<u>8,574,590</u>	<u>753,116</u>	<u>107,593</u>	<u>9,220,113</u>
Depreciable Capital Assets, Net	<u>\$ 6,643,890</u>	<u>\$ 161,908</u>	<u>\$ --</u>	<u>\$ 6,805,798</u>
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	<u>87,048</u>	<u>438,093</u>	<u>53,949</u>	<u>471,192</u>
Total Non-Depreciable Capital Assets	<u>\$ 103,721</u>	<u>\$ 438,093</u>	<u>\$ 53,949</u>	<u>\$ 487,865</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2003</u>
Land Improvements	\$ 343,362	\$ 8,838	\$ --	\$ 352,200
Buildings	5,261,664	--	--	5,261,664
Fixed Equipment	6,480,467	38,272	27,104	6,491,635
Major Movable Equipment	<u>3,171,325</u>	<u>69,475</u>	<u>127,819</u>	<u>3,112,981</u>
	15,256,818	116,585	154,923	15,218,480
 <u>Depreciation</u>				
Land Improvements	232,897	15,186	--	248,083
Buildings	2,671,793	144,375	--	2,816,168
Fixed Equipment	2,999,237	292,045	27,104	3,264,178
Major Movable Equipment	<u>2,109,113</u>	<u>264,867</u>	<u>127,819</u>	<u>2,246,161</u>
Total Depreciation	<u>8,013,040</u>	<u>716,473</u>	<u>154,923</u>	<u>8,574,590</u>
Depreciable Capital Assets, Net	<u>\$ 7,243,778</u>	<u>\$(599,888)</u>	<u>\$ --</u>	<u>\$ 6,643,890</u>
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	<u>1,500</u>	<u>85,548</u>	<u>--</u>	<u>87,048</u>
Total Non-Depreciable Capital Assets	<u>\$ 18,173</u>	<u>\$ 85,548</u>	<u>\$ --</u>	<u>\$ 103,721</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE H - PENSION AND RETIREMENT BENEFITS

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Hospital is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were approximately \$400,900, \$375,800, and \$346,400, respectively, equal to the required contributions for each year.

NOTE I - COMMITMENTS AND CONTINGENCIES

Self-Funded Health Insurance

The Hospital has established an employee health insurance fund. Under the self-insured plan, the Hospital pays claims from this fund up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2004, the Hospital has accumulated funds in excess of actual claims paid of \$109,319 (\$100,040 at June 30, 2003). These funds, shown under internally designated assets, are to be used to pay claims as they are filed in the future. The amount of unpaid claims at June 30, 2004 is approximately \$51,000 (\$30,300 at June 30, 2003) and is included in other accrued expenses on the balance sheets.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Greene County Medical Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

Notes Receivable

The notes receivable represent funds advanced under agreements with several healthcare professionals now practicing in the Jefferson community. The funds were partially provided by Greene County Medical Center Foundation through a grant to the Hospital. The agreements include commitments by the healthcare professionals to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the terms of the commitments.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

The Hospital has entered into several remodeling, construction and equipment replacement projects. At June 30, 2004, costs incurred on the projects totaled \$471,192. The projects have a combined estimated cost of approximately \$2,700,000. Financing for the projects is being provided by funds generated internally and capital fund-raising.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY MEDICAL CENTER
 Budgetary Comparison Schedule
 Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for amortization, general obligation bond payments, capital expenditures, restricted fund expenditures, and net assets differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 696,441	\$ --	\$ 696,441	
Other revenues	13,203,526	137,085	13,340,611	
Transfers in (out)	<u>130,173</u>	<u>(130,173)</u>	<u>--</u>	
	14,030,140	6,912	14,037,052	
Expenses	<u>13,702,555</u>	<u>18,750</u>	<u>13,721,305</u>	
Net	327,585	(11,838)	315,747	
Balance beginning of year	<u>14,896,057</u>	<u>468,461</u>	<u>15,364,518</u>	
Balance end of year	<u>\$ 15,223,642</u>	<u>\$ 456,623</u>	<u>\$ 15,680,265</u>	
	<u>Total Per Financial Statements</u>	<u>Budget Adjustments</u>	<u>Budget Basis</u>	<u>Budget</u>
Amount raised by taxation	\$ 696,441	\$ 249,530	\$ 945,971	\$ 952,561
Other revenues	<u>13,340,611</u>	<u>214,383</u>	<u>13,554,994</u>	<u>16,780,280</u>
	14,037,052	463,913	14,500,965	17,732,841
Expenses	<u>13,721,305</u>	<u>1,749,581</u>	<u>15,470,886</u>	<u>17,940,884</u>
Net	315,747	(1,285,668)	(969,921)	(208,043)
Balance beginning of year	<u>15,364,518</u>	<u>(1,072,986)</u>	<u>14,291,532</u>	<u>14,291,532</u>
Balance end of year	<u>\$ 15,680,265</u>	<u>\$(2,358,654)</u>	<u>\$ 13,321,611</u>	<u>\$ 14,083,489</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

GREENE COUNTY MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 1,254,016	37.0%	\$ 1,072,238	32.7%
31 - 90	634,464	18.7	697,528	21.3
91 - 180	387,789	11.4	352,479	10.8
181 - 364	349,402	10.3	345,170	10.5
365 and over	<u>767,649</u>	<u>22.6</u>	<u>810,287</u>	<u>24.7</u>
	3,393,320	<u>100.0%</u>	3,277,702	<u>100.0%</u>
Allowance for doubtful accounts	635,000		657,000	
Allowance for contractual adjustments	<u>208,000</u>		<u>98,000</u>	
	<u>\$ 2,550,320</u>		<u>\$ 2,522,702</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Balance, beginning	\$ 657,000	\$ 666,000
Provision for bad debts	372,526	308,591
Recoveries of accounts previously written off	<u>3,073</u>	<u>1,530</u>
	1,032,599	976,121
Accounts written off	<u>397,599</u>	<u>319,121</u>
Balance, ending	<u>\$ 635,000</u>	<u>\$ 657,000</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Inventory/Prepaid Expense
June 30,

	<u>2004</u>	<u>2003</u>
<u>Inventory</u>		
Medical and surgical	\$ 67,281	\$ 70,923
Dietary	4,892	4,378
Pharmacy	44,942	48,348
Laboratory and radiology	48,707	37,013
Maintenance	17,937	19,020
Office	<u>11,914</u>	<u>11,111</u>
	<u>\$ 195,673</u>	<u>\$ 190,793</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 120,499	\$ 96,403
Service contracts and dues	<u>61,245</u>	<u>64,402</u>
	<u>\$ 181,744</u>	<u>\$ 160,805</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Patient Service Revenue
Year ended June 30,

	2004		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Swing Bed</u>
Daily Patient Services:			
Medical, surgical and obstetric	\$ 717,477	\$ 6,008	\$ 364,933
Long-term care	--	--	26,846
Coronary care	42,856	--	--
Nursery	48,840	--	--
	<u>809,173</u>	<u>6,008</u>	<u>391,779</u>
Other Nursing Services:			
Operating room	172,834	1,129,551	--
Delivery and labor rooms	40,880	730	--
Central services and supply	131,254	307,157	34,931
Emergency service	102,693	573,404	--
Intravenous therapy	106,978	40,637	20,624
Cardiac rehabilitation	2,006	75,010	3,186
	<u>556,645</u>	<u>2,126,489</u>	<u>58,741</u>
Other Professional Services:			
Anesthesiology	92,305	273,402	--
Laboratory	232,229	1,309,741	42,236
Radiology	68,159	780,188	14,982
Nuclear medicine	104,344	733,975	14,713
Pharmacy	353,413	432,098	205,713
Electrocardiology	25,070	70,724	1,744
Physical therapy	13,506	416,102	85,799
Inhalation therapy	281,887	469,238	165,122
Speech therapy	4,378	32,273	6,821
Occupational therapy	1,606	38,489	29,437
Rural Health Clinic	--	648,586	--
Public health	--	649,671	--
	<u>1,176,897</u>	<u>5,854,487</u>	<u>566,567</u>
	<u>\$ 2,542,715</u>	<u>\$ 7,986,984</u>	<u>\$ 1,017,087</u>

See Independent Auditor's Report.

<u>2004</u>		<u>2003</u>
<u>LTC</u>	<u>Total</u>	<u>Total</u>
\$ --	\$ 1,088,418	\$ 1,113,040
2,315,546	2,342,392	2,386,941
--	42,856	65,746
--	48,840	61,397
<u>2,315,546</u>	<u>3,522,506</u>	<u>3,627,124</u>
--	1,302,385	1,245,103
--	41,610	57,270
91,619	564,961	618,399
--	676,097	577,446
--	168,239	118,387
--	80,202	87,768
<u>91,619</u>	<u>2,833,494</u>	<u>2,704,373</u>
--	365,707	339,865
--	1,584,206	1,421,737
--	863,329	820,505
--	853,032	630,791
7,076	998,300	1,150,926
--	97,538	96,594
236	515,643	483,402
1,359	917,606	895,734
189	43,661	36,358
--	69,532	11,301
--	648,586	457,536
--	649,671	642,974
<u>8,860</u>	<u>7,606,811</u>	<u>6,987,723</u>
<u>\$ 2,416,025</u>	<u>\$ 13,962,811</u>	<u>\$ 13,319,220</u>

GREENE COUNTY MEDICAL CENTER
Revenue and Related Adjustments
Year ended June 30,

	<u>2004</u>	<u>2003</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 13,962,811	\$ 13,319,220
Contractual adjustments	(1,191,252)	(957,315)
Provision for bad debts	(372,526)	(308,591)
Public health adjustments	(25,728)	(36,752)
Charity care	(9,271)	(18,800)
Adjustments to long-term care revenue	(44,958)	(12,573)
	<u>\$ 12,319,076</u>	<u>\$ 11,985,189</u>
 <u>Other Revenue</u>		
Meals sold	\$ 81,420	\$ 76,069
Public health revenue	110,581	118,496
Rental income	86,392	89,599
Ever Greene Ridge operations	115,606	123,865
Clinic dictation services	34,228	51,281
Ancillary service coverage revenue	17,845	22,072
Equipment rental	2,064	2,658
Medical record transcripts	3,045	3,430
Utilization review	960	1,220
In-service revenue	2,648	1,738
Miscellaneous	20,753	7,877
	<u>\$ 475,542</u>	<u>\$ 498,305</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Nursing Service Expenses
Year ended June 30,

	2004	2003
Administrative:		
Salaries and wages	\$ 83,436	\$ 64,464
Employee benefits	13,771	11,478
Supplies and other expense	1,372	698
	98,579	76,640
Education:		
Supplies and other expense	1,879	2,843
Medical and Surgical:		
Salaries and wages	1,232,066	1,181,593
Employee benefits	156,068	148,342
Supplies and other expense	93,305	72,917
	1,481,439	1,402,852
Long-Term Care:		
Salaries and wages	1,033,383	1,019,476
Employee benefits	135,886	130,453
Supplies and other expense	81,971	79,555
	1,251,240	1,229,484
Coronary Care:		
Salaries and wages	11,752	17,766
Employee benefits	1,536	2,304
Supplies and other expense	12,764	12,404
	26,052	32,474
Obstetric:		
Salaries and wages	74,900	108,709
Employee benefits	9,867	14,353
Supplies and other expense	21,435	22,002
	106,202	145,064
Nursery:		
Salaries and wages	6,805	15,619
Employee benefits	866	2,052
	7,671	17,671
Operating Room:		
Salaries and wages	218,313	187,054
Employee benefits	27,575	23,590
Supplies and other expense	230,960	226,825
	476,848	437,469

(continued next page)

GREENE COUNTY MEDICAL CENTER
Nursing Service Expenses - Continued
Year ended June 30,

	2004	2003
Delivery and Labor Rooms:		
Salaries and wages	\$ 7,304	\$ 14,771
Employee benefits	946	1,944
	8,250	16,715
Central Services and Supply:		
Salaries and wages	113,975	98,841
Employee benefits	15,172	12,768
Supplies and other expense	5,882	8,568
	135,029	120,177
Emergency Service:		
Salaries and wages	141,072	99,179
Employee benefits	16,977	13,396
Professional fees	273,667	256,943
Supplies and other expense	65,960	52,734
	497,676	422,252
Eldercare:		
Salaries and wages	24,646	23,534
Employee benefits	3,316	3,061
Supplies and other expense	2,377	2,598
	30,339	29,193
Cardiac Rehabilitation:		
Salaries and wages	26,835	25,912
Employee benefits	3,352	3,322
Supplies and other expense	5,985	4,784
	36,172	34,018
	\$ 4,157,376	\$ 3,966,852

SUMMARY

Salaries and wages	\$ 2,974,487	\$ 2,856,918
Employee benefits	385,332	367,063
Professional fees	273,667	256,943
Other expense	523,890	485,928
	\$ 4,157,376	\$ 3,966,852

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Other Professional Service Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Anesthesiology:		
Professional fees	\$ 235,442	\$ 223,575
Supplies and other expense	<u>17,095</u>	<u>23,257</u>
	252,537	246,832
Laboratory:		
Salaries and wages	282,647	259,714
Employee benefits	35,580	33,002
Professional fees	83,861	80,346
Supplies and other expense	<u>220,128</u>	<u>205,585</u>
	622,216	578,647
Radiology:		
Salaries and wages	257,660	252,782
Employee benefits	36,092	31,960
Supplies and other expense	<u>141,397</u>	<u>135,623</u>
	435,149	420,365
Nuclear Medicine:		
Professional fees	252,224	207,920
Supplies and other expense	<u>49,925</u>	<u>16,798</u>
	302,149	224,718
Pharmacy:		
Salaries and wages	128,139	122,151
Employee benefits	16,561	15,612
Professional fees	4,682	11,129
Drugs	249,084	348,869
Supplies and other expense	<u>18,771</u>	<u>19,692</u>
	417,237	517,453
Electrocardiology:		
Salaries and wages	10,685	11,277
Employee benefits	1,432	1,511
Professional fees	<u>7,452</u>	<u>7,140</u>
	19,569	19,928
Physical Therapy:		
Salaries and wages	259,213	265,106
Employee benefits	35,191	35,173
Professional fees	28,223	11,630
Supplies and other expense	<u>21,990</u>	<u>28,780</u>
	344,617	340,689

(continued next page)

GREENE COUNTY MEDICAL CENTER
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Inhalation Therapy:		
Salaries and wages	\$ 103,745	\$ 114,758
Employee benefits	13,749	15,526
Oxygen	16,261	17,757
Supplies and other expense	<u>136,756</u>	<u>155,767</u>
	270,511	303,808
Speech Therapy:		
Professional fees	25,973	16,114
Supplies and other expense	<u>--</u>	<u>324</u>
	25,973	16,438
Occupational Therapy:		
Professional fees	23,379	2,179
Supplies and other expense	<u>383</u>	<u>271</u>
	23,762	2,450
Rural Health Clinic:		
Salaries and wages	339,657	302,065
Employee benefits	42,066	36,096
Supplies and other expense	<u>214,758</u>	<u>174,727</u>
	596,481	512,888
Public Health:		
Salaries and wages	724,974	700,287
Employee benefits	92,481	88,860
Professional fees	750	750
Supplies and other expense	<u>92,254</u>	<u>70,544</u>
	910,459	860,441
Social Services:		
Salaries and wages	48,624	44,453
Employee benefits	6,438	5,745
Supplies and other expense	<u>836</u>	<u>817</u>
	55,898	51,015

(continued next page)

GREENE COUNTY MEDICAL CENTER
 Other Professional Service Expenses - Continued
 Year ended June 30,

	2004	2003
Medical Records:		
Salaries and wages	\$ 213,934	\$ 214,954
Employee benefits	27,350	27,322
Supplies and other expense	24,772	27,086
	266,056	269,362
Diabetic Education:		
Salaries and wages	14,859	--
Employee benefits	1,855	--
Supplies and other expense	4,512	--
	21,226	--
	\$ 4,563,840	\$ 4,365,034

SUMMARY

Salaries and wages	\$ 2,384,137	\$ 2,287,547
Employee benefits	308,795	290,807
Professional fees	661,986	560,783
Other expense	1,208,922	1,225,897
	\$ 4,563,840	\$ 4,365,034

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
General Service Expenses
Year ended June 30,

	2004	2003
Dietary:		
Salaries and wages	\$ 434,393	\$ 412,509
Employee benefits	55,320	50,934
Food	267,851	266,218
Supplies and other expense	48,241	48,558
	805,805	778,219
Housekeeping:		
Salaries and wages	225,249	209,147
Employee benefits	28,575	26,075
Supplies and other expense	72,513	72,657
	326,337	307,879
Laundry and Linen:		
Salaries and wages	119,924	113,346
Employee benefits	15,212	15,103
Supplies and other expense	4,006	12,831
	139,142	141,280
Operation of Plant:		
Salaries and wages	174,092	158,279
Employee benefits	22,488	20,106
Utilities	349,943	327,262
Supplies and other expense	57,812	53,513
Purchased services	81,499	88,671
	685,834	647,831
	\$ 1,957,118	\$ 1,875,209

SUMMARY

Salaries and wages	\$ 953,658	\$ 893,281
Employee benefits	121,595	112,218
Other expense	881,865	869,710
	\$ 1,957,118	\$ 1,875,209

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Fiscal:		
Salaries and wages	\$ 396,183	\$ 372,422
Employee benefits	49,737	46,333
Professional fees	49,585	31,825
Collection fees	30,841	26,905
Supplies and other expense	<u>48,710</u>	<u>62,409</u>
	575,056	539,894
Personnel:		
Salaries and wages	79,943	71,360
Employee benefits	9,981	9,595
Supplies and other expense	<u>12,617</u>	<u>14,294</u>
	102,541	95,249
Administrative:		
Salaries and wages	150,556	129,192
Employee benefits	32,947	30,218
Professional fees	115,727	103,002
Dues	25,996	22,736
Telephone	47,091	43,079
Supplies and other expense	<u>64,146</u>	<u>45,045</u>
	436,463	373,272
Information Systems:		
Salaries and wages	61,136	56,268
Employee benefits	7,753	7,003
Supplies and other expense	<u>7,774</u>	<u>2,296</u>
	76,663	65,567
Medical Care Evaluation:		
Salaries and wages	48,267	48,259
Employee benefits	6,657	6,047
Professional fees	84	82
Supplies and other expense	<u>1,741</u>	<u>2,397</u>
	56,749	56,785
Marketing:		
Salaries and wages	36,202	35,186
Employee benefits	4,372	4,076
Supplies and other expense	<u>36,449</u>	<u>32,237</u>
	77,023	71,499

(continued next page)

GREENE COUNTY MEDICAL CENTER
 Fiscal and Administrative Service Expenses - Continued
 Year ended June 30,

	2004	2003
Insurance:		
Insurance and bonding	\$ 95,510	\$ 118,220
Medical Staff:		
Professional fees	40,000	40,000
Supplies and other expense	33,431	31,925
	73,431	71,925
Employee Welfare:		
Employee insurance	667,918	498,341
Workers' compensation insurance	86,758	65,600
Other employee benefits	9,381	9,713
Life insurance	13,612	10,473
	777,669	584,127
	\$ 2,271,105	\$ 1,976,538

SUMMARY

Salaries and wages	\$ 772,287	\$ 712,687
Employee benefits	889,116	687,399
Professional fees	205,396	174,909
Other expense	404,306	401,543
	\$ 2,271,105	\$ 1,976,538

SUMMARY OF EXPENSES

Salaries and wages	\$ 7,084,569	\$ 6,750,433
Employee benefits	1,704,838	1,457,487
Professional fees	1,141,049	992,635
Other expense	3,018,983	2,983,078
	\$ 12,949,439	\$ 12,183,633

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Acute Care:					
Admissions	486	498	493	557	655
Discharges	485	499	496	551	654
Patient Days	1,498	1,427	1,382	1,700	2,021
Average Length of Stay	3.09	2.86	2.79	3.09	3.09
Average Occupied Beds	4.1	3.9	3.8	4.7	5.5
Swing Bed:					
Admissions	190	224	219	197	222
Discharges	183	214	223	214	221
SNF Days	1,735	2,334	2,168	1,884	2,108
ICF Days	263	348	122*	5,792	6,584
Combined Average Occupied Beds	9.6	11.3	10.1*	25.7	29.3
Nursery Days	132	177	156	196	216
Long-Term Care Patient Days	22,601	24,230	26,073*	22,196	21,463
Outpatient Occasions of Service	24,413	24,110	23,647	22,546	23,631

* 18 ICF beds were converted to LTC beds beginning August 1, 2002.

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Balance Sheets
June 30,

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 1,451,036	\$ 860,693
Receivables	2,607,983	2,637,392
Inventory	195,673	190,793
Prepaid expense	181,744	160,805
Succeeding year property tax receivable	670,000	672,000
Internally designated assets	211,087	30,300
Total current assets	<u>5,317,523</u>	<u>4,551,983</u>
Other Assets:		
Internally designated and restricted assets, net	5,629,522	6,328,452
Capital assets, net	7,293,663	6,747,611
Notes receivable	151,000	64,500
Total other assets	<u>13,074,185</u>	<u>13,140,563</u>
	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>
Current Liabilities:		
Current maturities of long-term debt	\$ --	\$ --
Accounts payable	511,801	223,939
Accrued expenses	1,057,449	948,896
Accrued interest payable	--	--
Deferred grant revenue	11,193	11,193
Estimated third-party payor settlements	461,000	472,000
Deferred revenue for succeeding year property tax receivable	670,000	672,000
Total current liabilities	<u>2,711,443</u>	<u>2,328,028</u>
Long-Term Debt, Net	<u>--</u>	<u>--</u>
Total liabilities	<u>2,711,443</u>	<u>2,328,028</u>
Net Assets	<u>15,680,265</u>	<u>15,364,518</u>
Total liabilities and net assets	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>

See Independent Auditor's Report.

<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 915,014	\$ 239,086	\$ 397,625
2,400,312	2,340,280	2,312,162
197,351	183,972	212,562
72,967	81,651	66,634
667,500	683,700	654,000
<u>133,005</u>	<u>170,816</u>	<u>151,901</u>
4,386,149	3,699,505	3,794,884
5,296,652	4,995,497	4,904,438
7,261,951	7,265,017	7,342,063
<u>6,000</u>	<u>23,500</u>	<u>18,550</u>
<u>12,564,603</u>	<u>12,284,014</u>	<u>12,265,051</u>
<u>\$ 16,950,752</u>	<u>\$ 15,983,519</u>	<u>\$ 16,059,935</u>
\$ 67,300	\$ 89,600	\$ 94,600
249,889	266,361	217,070
871,623	781,792	795,239
1,284	1,611	1,918
11,193	11,193	11,193
333,000	324,000	431,000
<u>667,500</u>	<u>683,700</u>	<u>654,000</u>
2,201,789	2,158,257	2,205,020
<u>181,118</u>	<u>253,083</u>	<u>341,663</u>
2,382,907	2,411,340	2,546,683
<u>14,567,845</u>	<u>13,572,179</u>	<u>13,513,252</u>
<u>\$ 16,950,752</u>	<u>\$ 15,983,519</u>	<u>\$ 16,059,935</u>

GREENE COUNTY MEDICAL CENTER
Comparative Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Patient Service Revenue	\$ 13,962,811	\$ 13,319,220
Adjustments to Patient Service Revenue	<u>(1,643,735)</u>	<u>(1,334,031)</u>
Net Patient Service Revenue	12,319,076	11,985,189
Other Revenue	<u>475,542</u>	<u>498,305</u>
Total Revenue	12,794,618	12,483,494
Expenses	<u>13,702,555</u>	<u>12,900,106</u>
Operating Loss	(907,937)	(416,612)
Non-Operating Revenue, Net	<u>1,112,261</u>	<u>1,127,768</u>
Excess of Revenues Over Expenses (Expenses Over Revenues)	204,324	711,156
Capital Grants and Contributions	130,173	101,767
Medical Occupation Scholarship Distributions	<u>(18,750)</u>	<u>(16,250)</u>
Increase in Net Assets	<u>\$ 315,747</u>	<u>\$ 796,673</u>

* Amounts have not been reclassified to show the effects of Government Accounting Standards Board Statements No. 34, 37 and 38.

See Independent Auditor's Report.

<u>2002</u>	<u>2001*</u>	<u>2000*</u>
\$ 12,712,527	\$ 12,239,391	\$ 11,970,073
<u>(1,445,766)</u>	<u>(2,269,919)</u>	<u>(2,234,999)</u>
11,266,761	9,969,472	9,735,074
<u>526,117</u>	<u>1,191,962</u>	<u>1,164,926</u>
11,792,878	11,161,434	10,900,000
<u>12,053,157</u>	<u>11,706,730</u>	<u>11,391,975</u>
(260,279)	(545,296)	(491,975)
<u>1,176,658</u>	<u>502,711</u>	<u>453,445</u>
916,379	(42,585)	(38,530)
96,787	98,851	66,638
<u>(17,500)</u>	<u>--</u>	<u>--</u>
<u>\$ 995,666</u>	<u>\$ 56,266</u>	<u>\$ 28,108</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Trustees
Greene County Medical Center
Jefferson, Iowa

We have audited the financial statements of Greene County Medical Center as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Greene County Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene County Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Greene County Medical Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

To the Board of Trustees
Greene County Medical Center

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings we believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of Greene County Medical Center and other parties to whom the Hospital may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Stonebold, Bell, Kaylor & Co. P.C.

Atlantic, Iowa
July 30, 2004

GREENE COUNTY MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2004

PART I - REPORTABLE CONDITIONS

04-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

04-II-A Official Depositories: A resolution naming official depositories has been adopted by the Board. During the audit, no deposits in excess of the limits were noted.

04-II-B Certified Budget: Hospital expenditures during the year ended June 30, 2004 did not exceed amounts budgeted.

04-II-C Questionable Expenses: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.

04-II-D Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

04-II-E Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

04-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

04-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

* * *