

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, 2005 AND 2004

# GREENE COUNTY MEDICAL CENTER

## CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
Balance Sheets	5
Statements of Revenues, Expenses and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	18
ACCOMPANYING INFORMATION:	
Schedules Supporting Balance Sheets:	
Patient receivables	19
Inventory/Prepaid expense	20
Schedules Supporting Statements of Revenues, Expenses and Changes in Net Assets:	
Patient service revenue	21
Revenue and related adjustments	22
Nursing service expenses	23
Other professional service expenses	25
General service expenses	28
Fiscal and administrative service expenses	29
Comparative Statistics	31
Comparative Balance Sheets	32
Comparative Statements of Revenues, Expenses and Changes in Net Assets	33
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's 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	34
Schedule of Findings	36

GREENE COUNTY MEDICAL CENTER  
Officials  
June 30, 2005

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Jim Schleisman, Chairperson	Jefferson, Iowa	2010
Peggy Eason, Vice-Chairperson	Scranton, Iowa	2008
Judy Sankot, Secretary	Jefferson, Iowa	2010
Eugene Houk, Treasurer	Jefferson, Iowa	2006
Ruth Consier	Churdan, Iowa	2008
Thomas Martin	Grand Junction, Iowa	2010
Ralph Riedesel	Paton, Iowa	2006
 <u>Administrator:</u>		
Karen L. Bossard	Jefferson, Iowa	
 <u>Director of Financial Services:</u>		
William C. Steussy	Jefferson, Iowa	
 <u>Controller:</u>		
James Last	Grand Junction, Iowa	

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

ROGER A. BELL  
MARK D. KYHNN  
DAVID L. HANNASCH  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## 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, 2005 and 2004, 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 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 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, 2005 and 2004, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees  
Greene County Medical Center

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4d and 18 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.

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, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 19 through 33) 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.

*Greenwood, Bell, Kuylen - W. P.C.*

Atlantic, Iowa  
September 21, 2005

# GREENE COUNTY MEDICAL CENTER

1000 West Lincolnway  
Jefferson, Iowa 50129  
Phone: 515-386-2114  
Fax: 515-386-3695



"Friends and Neighbors Caring For You"

## GREENE COUNTY MEDICAL CENTER MANAGEMENT'S 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, 2005 and June 30, 2004. 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 \$2,086,605 increase in 2005 and a \$315,747 increase in 2004.

The Medical Center's operating loss decreased from \$907,937 in 2004 to \$813,514 in 2005.

The Medical Center's accounts receivables increased by \$1,015,037 or 40% in 2005.

Net capital assets increased by \$1,893,520 or 26% in 2005.

Contributions to the Medical Center increased by \$1,637,541 in 2005.

### 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.

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 \$2,086,605 in 2005 and \$315,747 in 2004, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets	\$ 6,363,010	\$ 5,317,523
Capital assets, net	9,187,183	7,293,663
Other noncurrent assets	<u>5,643,908</u>	<u>5,780,522</u>
Total assets	<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>
Liabilities:		
Long-term debt outstanding	\$ --	\$ --
Other current and noncurrent liabilities	<u>3,427,231</u>	<u>2,711,443</u>
Total liabilities	<u>\$ 3,427,231</u>	<u>\$ 2,711,443</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 9,187,183	\$ 7,293,663
Restricted expendable net assets	190,867	181,623
Restricted nonexpendable net assets	275,000	275,000
Unrestricted	<u>8,113,820</u>	<u>7,929,979</u>
Total net assets	<u>\$ 17,766,870</u>	<u>\$ 15,680,265</u>

Current assets increased significantly as a result of a buildup in accounts receivable. Conversion to a new information system was the cause of this increase.

Net capital assets increased by \$1,893,520 or 26% due to the major capital projects completed during the year. The major project this year was the building project involving the front entrance and long term care remodeling. Funding for this project was primarily provided by the \$1.7 million donated by the Greene County Medical Center Foundation toward the project.

#### OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET ASSETS

In 2005, the Medical Center's net assets increased by \$2,086,605, as shown in Table 2. This increase is made up of very different components. The increase is primarily due to the \$1.7 million donated by the Greene County Medical Center toward the building project.

Table 2: Operating Results and Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Operating Revenues:		
Net patient service revenues	\$ 14,031,999	\$ 12,319,076
Other operating revenues	<u>334,149</u>	<u>475,542</u>
Total operating revenues	14,366,148	12,794,618
Operating Expenses:		
Salaries and benefits	9,558,417	8,789,407
Professional fees	1,377,278	1,141,049
Other operating expenses	3,315,893	3,018,983
Depreciation and amortization	<u>928,101</u>	<u>753,116</u>
Total operating expenses	<u>15,179,689</u>	<u>13,702,555</u>
Operating Loss	( 813,541)	( 907,937)
Nonoperating Revenues and Expenses:		
Property taxes	692,784	696,441
Investment income	101,913	80,422
Noncapital grants and contributions	355,235	334,923
Gain on disposal of assets	<u>--</u>	<u>475</u>
Total nonoperating revenues	<u>1,149,932</u>	<u>1,112,261</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Endowments	336,391	204,324
Grants, Contributions, and Endowments		
Capital grants and contributions	1,767,714	130,173
Medical Occupation Scholarships	<u>( 17,500)</u>	<u>( 18,750)</u>
Increase in net assets	2,086,605	315,747
Net Assets Beginning of Year	<u>15,680,265</u>	<u>15,364,518</u>
Net Assets End of Year	<u>\$ 17,766,870</u>	<u>\$ 15,680,265</u>

## 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 2004, the operating loss was \$907,937. In 2005, the operating loss decreased to \$813,541 due to a combination of items.

The primary components of the decreased operating loss are:

- An increase in Acute day volume of 28.6% and 9.8% in Swing bed days.

- A increase in patient day volume of 3.5% in the Long Term Care area.

- Net patient revenues increasing 13.9%, while operating expenses only increasing 10.8%.

## 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 increase in investment income was a result of interest rates beginning to climb over the last 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. This year the Foundation funded \$1.7 million toward the building project.

## BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2005 was prepared on a modified accrual basis. Actual revenues and expenses were both over the budgeted figures due to the timing in payments and funds received related to the building project.

## THE MEDICAL CENTER'S CASH FLOWS

Changes in the Medical Center'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 2005, the Medical Center had \$9.2 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2005, the Hospital added \$3,279,013 in capital assets, due primarily to the building project. This is significantly more than the \$915,024 spent to acquire new equipment in 2004.

### Construction-in-Progress:

The Medical Center completed the building project and implemented the information system during 2005.

### 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 2006 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

## 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

	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 1,564,250	\$ 1,451,036
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$1,408,010 in 2005, \$843,000 in 2004)	3,565,357	2,550,320
Accounts receivable - other	75,720	57,663
Inventory	197,160	195,673
Prepaid expense	95,137	181,744
Succeeding year property tax receivable	681,000	670,000
Internally designated assets	<u>184,386</u>	<u>211,087</u>
Total current assets	6,363,010	5,317,523
Designated and Restricted Assets:		
Internally designated assets	5,242,427	5,383,986
Restricted assets	<u>465,867</u>	<u>456,623</u>
	5,708,294	5,840,609
Less amounts required to meet current liabilities	<u>184,386</u>	<u>211,087</u>
	5,523,908	5,629,522
Capital Assets:		
Depreciable capital assets, net	9,156,710	6,805,798
Non-depreciable capital assets	<u>30,473</u>	<u>487,865</u>
	9,187,183	7,293,663
Notes Receivable	<u>120,000</u>	<u>151,000</u>
Total assets	<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
Current Liabilities:		
Accounts payable - trade	\$ 257,821	\$ 351,714
Accounts payable - plant	102,386	160,087
Accrued employee compensation	1,199,420	1,006,449
Estimated third-party payor settlements	1,097,000	461,000
Deferred grant revenue	7,604	11,193
Other accrued expenses	82,000	51,000
Deferred revenue for succeeding year property tax receivable	<u>681,000</u>	<u>670,000</u>
Total current liabilities	3,427,231	2,711,443
Net Assets:		
Invested in capital assets, net of related debt	9,187,183	7,293,663
Restricted - expendable	190,867	181,623
Non-expendable permanent endowments	275,000	275,000
Unrestricted	<u>8,113,820</u>	<u>7,929,979</u>
Total net assets	<u>17,766,870</u>	<u>15,680,265</u>
Total liabilities and net assets	<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>

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

	<u>2005</u>	<u>2004</u>
<b>Revenue:</b>		
Net patient service revenue	\$ 14,031,999	\$ 12,319,076
Other revenue	<u>334,149</u>	<u>475,542</u>
Total revenue	14,366,148	12,794,618
<b>Expenses:</b>		
Nursing service	4,558,299	4,157,376
Other professional service	4,898,643	4,563,840
General service	2,088,408	1,957,118
Fiscal and administrative service	2,706,238	2,271,105
Provision for depreciation	<u>928,101</u>	<u>753,116</u>
Total expenses	<u>15,179,689</u>	<u>13,702,555</u>
Operating Loss	( 813,541)	( 907,937)
<b>Non-Operating Revenues:</b>		
County taxes	692,784	696,441
Noncapital grants and contributions	355,235	334,923
Investment income	101,913	80,422
Gain on disposal of equipment	<u>--</u>	<u>475</u>
Non-operating revenues, net	<u>1,149,932</u>	<u>1,112,261</u>
<b>Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Scholarship Distributions</b>	336,391	204,324
Capital Grants and Contributions	1,767,714	130,173
Medical Occupation Scholarship Distributions	<u>( 17,500)</u>	<u>( 18,750)</u>
Increase in Net Assets	2,086,605	315,747
Net Assets Beginning of Year	<u>15,680,265</u>	<u>15,364,518</u>
Net Assets End of Year	<u>\$ 17,766,870</u>	<u>\$ 15,680,265</u>

The accompanying notes are an integral part of these statements.

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

	2005	2004
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 13,634,905	\$ 12,337,485
Cash paid to suppliers	( 6,634,383)	( 5,728,714)
Cash paid to employees	( 7,371,007)	( 6,996,716)
Other revenue	334,149	475,542
Net cash provided by (used in) operating activities	( 36,336)	87,597
Cash flows from non-capital financing activities:		
County tax revenue	692,784	696,441
Noncapital grants and contributions	351,646	334,923
Net cash provided by non-capital financing activities	1,044,430	1,031,364
Cash flows from capital and related financing activities:		
Capital grants and contributions	1,767,714	130,173
Capital expenditures	( 390,326)	( 861,075)
Construction in progress expenditures	( 2,488,996)	( 278,006)
Proceeds from sale of property and equipment	--	475
Net cash used in capital and related financing activities	( 1,111,608)	( 1,008,433)
Cash flows from investing activities:		
Medical occupation scholarship distributions	( 17,500)	( 18,750)
Increase in notes receivable	--	( 100,000)
Change in designated and restricted assets	781,522	96,474
Investment income	101,913	80,422
Net cash provided by investing activities	865,935	58,146
Net increase in cash and cash equivalents	762,421	168,674
Cash and cash equivalents at beginning of year	3,114,676	2,946,002
Cash and cash equivalents at end of year	\$ 3,877,097	\$ 3,114,676

(continued next page)

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

	<u>2005</u>	<u>2004</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 1,564,250	\$ 1,451,036
Cash and cash equivalents in designated and restricted assets	<u>2,312,847</u>	<u>1,663,640</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 3,877,097</u></b>	<b><u>\$ 3,114,676</u></b>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$( 813,541)	\$( 907,937)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Provision for depreciation	928,101	753,116
Provision for bad debts	698,074	372,526
Amortization of notes receivable	31,000	13,500
Change in assets and liabilities		
Accounts receivable	( 1,731,168)	( 343,117)
Inventory	( 1,487)	( 4,880)
Prepaid expense	86,607	( 20,939)
Accounts payable - trade	( 93,893)	127,775
Accrued employee compensation	192,971	87,853
Estimated third-party payor settlements	636,000	( 11,000)
Other accrued expenses	<u>31,000</u>	<u>20,700</u>
Total adjustments	<u>777,205</u>	<u>995,534</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$( 36,336)</u></b>	<b><u>\$ 87,597</u></b>

The accompanying notes are an integral part of these statements.

GREENE COUNTY MEDICAL CENTER  
Notes to Financial Statements  
June 30, 2005 and 2004

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 \$1,472,000 (\$3,086,000 in 2004) and a decrease in the change in net assets of approximately \$1,613,000 (\$117,000 increase in 2004) for the year ended June 30, 2005.

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, 2005 and 2004

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. Capital assets with lives in excess of one year and cost in excess of \$2,500 are capitalized. These 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 (fifteen to forty years for buildings and land improvements and two to twenty years for equipment).

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. The Hospital had no interest cost in either 2005 or 2004.

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, 2005 and 2004

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, 2005 and 2004

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 cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2003. The Medicaid cost reports have been audited 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, 2005 and 2004

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2005	2004
Healthcare occupation student loans and scholarships	\$ 171,413	\$ 181,623
Operation of diabetic education program	19,454	--
	\$ 190,867	\$ 181,623

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, 2005 and 2004 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:

	2005	2004
Healthcare occupation student loans and scholarships	\$ 275,000	\$ 275,000

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

	2005	2004
Purchase of property and equipment	\$ 1,748,260	\$ 130,173
Medical occupation scholarships	17,500	18,750
	\$ 1,765,760	\$ 148,923

GREENE COUNTY MEDICAL CENTER  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE D - DESIGNATED NET ASSETS

Of the \$8,113,820 (\$7,929,979 as of June 30, 2004) of unrestricted net assets as of June 30, 2005, \$5,242,427 (\$5,383,986 for 2004) 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.

	2005	2004
Capital acquisitions	\$ 5,131,416	\$ 5,274,667
Employee health insurance	111,011	109,319
	\$ 5,242,427	\$ 5,383,986

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2005 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. 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:

	2005	2004
Internally Designated Assets:		
Cash and cash equivalents	\$ 2,261,634	\$ 1,607,977
Certificates of deposit	2,978,021	3,774,052
Interest receivable	2,772	1,957
	\$ 5,242,427	\$ 5,383,986
Restricted Assets:		
Cash and cash equivalents	\$ 51,213	\$ 55,663
Certificates of deposit	350,000	350,000
Notes receivable	64,519	50,849
Interest receivable	135	111
	\$ 465,867	\$ 456,623

**GREENE COUNTY MEDICAL CENTER**  
Notes to Financial Statements  
June 30, 2005 and 2004

**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, 2005 and 2004, was as follows:

	<u>2005</u>	<u>2004</u>
Receivable from:		
Patients	\$ 1,950,659	\$ 1,279,958
Medicare	1,564,569	955,389
Medicaid	315,109	239,470
Wellmark	556,140	258,556
Other commercial insurance carriers	<u>586,890</u>	<u>659,947</u>
	4,973,367	3,393,320
Less allowances for doubtful accounts and contractual adjustments	<u>1,408,010</u>	<u>843,000</u>
	<u>\$ 3,565,357</u>	<u>\$ 2,550,320</u>

**NOTE G - CAPITAL ASSETS**

Capital assets, additions, disposals and balances for the years ended June 30, 2005 and 2004 were as follows:

<u>Cost</u>	<u>Balance 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2005</u>
Land Improvements	\$ 352,200	\$ 162,219	\$ --	\$ 514,419
Buildings	5,399,998	1,680,870	--	7,080,868
Fixed Equipment	7,087,347	680,144	--	7,767,491
Major Movable Equipment	<u>3,186,366</u>	<u>755,780</u>	<u>23,205</u>	<u>3,918,941</u>
	16,025,911	3,279,013	23,205	19,281,719
<u>Depreciation</u>				
Land Improvements	262,754	19,496	--	282,250
Buildings	2,969,438	190,400	--	3,159,838
Fixed Equipment	3,584,805	342,417	--	3,927,222
Major Movable Equipment	<u>2,403,116</u>	<u>375,788</u>	<u>23,205</u>	<u>2,755,699</u>
Total Depreciation	<u>9,220,113</u>	<u>928,101</u>	<u>23,205</u>	<u>10,125,009</u>
Depreciable Capital Assets, Net	<u>\$ 6,805,798</u>	<u>\$2,350,912</u>	<u>\$ --</u>	<u>\$ 9,156,710</u>
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	<u>471,192</u>	<u>2,431,295</u>	<u>2,888,687</u>	<u>13,800</u>
Total Non-Depreciable Capital Assets	<u>\$ 487,865</u>	<u>\$2,431,295</u>	<u>\$2,888,687</u>	<u>\$ 30,473</u>

GREENE COUNTY MEDICAL CENTER  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE G - CAPITAL ASSETS - Continued

<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, 2005 and 2004

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, 2005, 2004, and 2003, were approximately \$425,300, \$400,900, and \$375,800, 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, 2005, the Hospital has accumulated funds in excess of actual claims paid of \$111,011 (\$109,319 at June 30, 2004). 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, 2005 is approximately \$82,000 (\$51,000 at June 30, 2004) 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.

\* \* \*

REQUIRED SUPPLEMENTARY INFORMATION

**GREENE COUNTY MEDICAL CENTER**  
**Budgetary Comparison Schedule**  
**Year ended June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. 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	\$ 692,784	\$ --	\$ 692,784	
Other revenues	14,816,006	1,775,004	16,591,010	
Transfers in (out)	<u>1,748,260</u>	<u>( 1,748,260)</u>	<u>--</u>	
	17,257,050	26,744	17,283,794	
Expenses	<u>15,179,689</u>	<u>17,500</u>	<u>15,197,189</u>	
Net	2,077,361	9,244	2,086,605	
Balance beginning of year	<u>15,223,642</u>	<u>456,623</u>	<u>15,680,265</u>	
Balance end of year	<u>\$ 17,301,003</u>	<u>\$ 465,867</u>	<u>\$ 17,766,870</u>	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Budget
Amount raised by taxation	\$ 692,784	\$ 247,093	\$ 939,877	\$ 950,780
Other revenues	<u>16,591,010</u>	<u>394,750</u>	<u>16,985,760</u>	<u>15,119,011</u>
	17,283,794	641,843	17,925,637	16,069,791
Expenses	<u>15,197,189</u>	<u>3,432,464</u>	<u>18,629,653</u>	<u>16,770,099</u>
Net	2,086,605	( 2,790,621)	( 704,016)	( 700,308)
Balance beginning of year	<u>15,680,265</u>	<u>( 1,439,098)</u>	<u>14,241,167</u>	<u>14,241,167</u>
Balance end of year	<u>\$ 17,766,870</u>	<u>\$( 4,229,719)</u>	<u>\$ 13,537,151</u>	<u>\$ 13,540,859</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>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 1,419,718	28.6%	\$ 1,254,016	37.0%
31 - 60	585,595	11.8	450,202	13.3
61 - 90	579,074	11.6	184,262	5.4
91 - 120	289,206	5.8	181,955	5.3
120 and over	2,099,774	42.2	1,322,885	39.0
	<u>4,973,367</u>	<u>100.0%</u>	<u>3,393,320</u>	<u>100.0%</u>
Allowance for doubtful accounts	1,040,010		635,000	
Allowance for contractual adjustments	<u>368,000</u>		<u>208,000</u>	
	<u>\$ 3,565,357</u>		<u>\$ 2,550,320</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Balance, beginning	\$ 635,000	\$ 657,000
Provision for bad debts	698,074	372,526
Recoveries of accounts previously written off	<u>7,430</u>	<u>3,073</u>
	1,340,504	1,032,599
Accounts written off	<u>300,494</u>	<u>397,599</u>
Balance, ending	<u>\$1,040,010</u>	<u>\$ 635,000</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER  
Inventory/Prepaid Expense  
June 30,

	2005	2004
<u>Inventory</u>		
Medical and surgical	\$ 81,551	\$ 79,195
Dietary	4,015	4,892
Pharmacy	41,827	44,942
Laboratory and radiology	50,973	48,707
Maintenance	18,794	17,937
	\$ 197,160	\$ 195,673
 <u>Prepaid Expense</u>		
Insurance	\$ 50,077	\$ 120,499
Service contracts and dues	45,060	61,245
	\$ 95,137	\$ 181,744

See Independent Auditor's Report.

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

	2005		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Swing Bed</u>
<b>Daily Patient Services:</b>			
Medical, surgical and obstetric	\$ 1,126,664	\$ 115,616	\$ 554,252
Long-term care	--	--	22,425
Coronary care	56,448	--	--
Nursery	66,466	--	--
	<u>1,249,578</u>	<u>115,616</u>	<u>576,677</u>
<b>Other Nursing Services:</b>			
Operating room	227,657	1,104,059	1,368
Delivery and labor rooms	31,800	1,200	--
Central services and supply	218,301	326,628	43,221
Emergency service	151,988	779,492	--
Cardiac rehabilitation	1,344	89,024	5,888
	<u>631,090</u>	<u>2,300,403</u>	<u>50,477</u>
<b>Other Professional Services:</b>			
Anesthesiology	120,491	262,741	2,677
Laboratory	335,536	1,662,594	35,974
Radiology	90,809	923,304	8,729
Nuclear medicine	180,900	841,354	15,051
Pharmacy	607,180	542,110	310,882
Electrocardiology	27,144	56,108	1,624
Physical therapy	17,848	323,799	90,771
Inhalation therapy	221,625	414,250	104,693
Speech therapy	3,507	38,932	11,959
Occupational therapy	2,623	42,627	38,217
Rural Health Clinic	--	703,602	--
Public health	--	713,287	--
	<u>1,607,663</u>	<u>6,524,708</u>	<u>620,577</u>
	<u>\$ 3,488,331</u>	<u>\$ 8,940,727</u>	<u>\$ 1,247,731</u>

See Independent Auditor's Report.

<u>2005</u>		<u>2004</u>
<u>LTC</u>	<u>Total</u>	<u>Total</u>
\$ --	\$ 1,796,532	\$ 1,088,418
2,506,251	2,528,676	2,342,392
--	56,448	42,856
--	66,466	48,840
<u>2,506,251</u>	<u>4,448,122</u>	<u>3,522,506</u>
--	1,333,084	1,302,385
--	33,000	41,610
81,031	669,181	564,961
--	931,480	676,097
--	96,256	80,202
<u>81,031</u>	<u>3,063,001</u>	<u>2,665,255</u>
--	385,909	365,707
--	2,034,104	1,584,206
--	1,022,842	863,329
--	1,037,305	853,032
4,886	1,465,058	1,166,539
--	84,876	97,538
--	432,418	515,643
1,242	741,810	917,606
--	54,398	43,661
--	83,467	69,532
--	703,602	648,586
--	713,287	649,671
<u>6,128</u>	<u>8,759,076</u>	<u>7,775,050</u>
<u>\$ 2,593,410</u>	<u>\$ 16,270,199</u>	<u>\$ 13,962,811</u>

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

	2005	2004
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 16,270,199	\$ 13,962,811
Contractual adjustments	( 1,473,554)	( 1,191,252)
Provision for bad debts	( 698,074)	( 372,526)
Public health adjustments	( 24,290)	( 25,728)
Charity care	( 2,682)	( 9,271)
Adjustments to long-term care revenue	( 39,600)	( 44,958)
	<u>\$ 14,031,999</u>	<u>\$ 12,319,076</u>
 <u>Other Revenue</u>		
Meals sold	\$ 93,801	\$ 81,420
Public health revenue	121,650	110,581
Rental income	81,490	86,392
Ever Greene Ridge operations	( 12,113)	115,606
Clinic dictation services	1,277	34,228
Ancillary service coverage revenue	20,700	17,845
Equipment rental	--	2,064
Medical record transcripts	5,322	3,045
Utilization review	500	960
In-service revenue	9,521	2,648
Miscellaneous	12,001	20,753
	<u>\$ 334,149</u>	<u>\$ 475,542</u>

See Independent Auditor's Report.

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

	<u>2005</u>	<u>2004</u>
Administrative:		
Salaries and wages	\$ 100,836	\$ 83,436
Employee benefits	13,829	13,771
Supplies and other expense	<u>5,205</u>	<u>1,372</u>
	119,870	98,579
Education:		
Supplies and other expense	2,453	1,879
Medical and Surgical:		
Salaries and wages	1,299,127	1,232,066
Employee benefits	164,839	156,068
Supplies and other expense	<u>95,144</u>	<u>93,305</u>
	1,559,110	1,481,439
Long-Term Care:		
Salaries and wages	1,061,423	1,033,383
Employee benefits	134,372	135,886
Supplies and other expense	<u>101,536</u>	<u>81,971</u>
	1,297,331	1,251,240
Coronary Care:		
Salaries and wages	15,300	11,752
Employee benefits	1,971	1,536
Supplies and other expense	<u>26,824</u>	<u>12,764</u>
	44,095	26,052
Obstetric:		
Salaries and wages	106,490	74,900
Employee benefits	14,505	9,867
Supplies and other expense	<u>19,649</u>	<u>21,435</u>
	140,644	106,202
Nursery:		
Salaries and wages	6,799	6,805
Employee benefits	<u>642</u>	<u>866</u>
	7,441	7,671
Operating Room:		
Salaries and wages	229,111	218,313
Employee benefits	28,636	27,575
Supplies and other expense	<u>230,735</u>	<u>230,960</u>
	488,482	476,848

(continued next page)

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

	<u>2005</u>	<u>2004</u>
Delivery and Labor Rooms:		
Salaries and wages	\$ 6,038	\$ 7,304
Employee benefits	<u>670</u>	<u>946</u>
	6,708	8,250
Central Services and Supply:		
Salaries and wages	122,432	113,975
Employee benefits	15,577	15,172
Supplies and other expense	<u>25,470</u>	<u>5,882</u>
	163,479	135,029
Emergency Service:		
Salaries and wages	155,103	141,072
Employee benefits	19,637	16,977
Professional fees	410,724	273,667
Supplies and other expense	<u>61,760</u>	<u>65,960</u>
	647,224	497,676
Eldercare:		
Salaries and wages	28,089	24,646
Employee benefits	3,433	3,316
Supplies and other expense	<u>4,901</u>	<u>2,377</u>
	36,423	30,339
Cardiac Rehabilitation:		
Salaries and wages	34,150	26,835
Employee benefits	4,058	3,352
Supplies and other expense	<u>6,831</u>	<u>5,985</u>
	<u>45,039</u>	<u>36,172</u>
	<u>\$ 4,558,299</u>	<u>\$ 4,157,376</u>

SUMMARY

Salaries and wages	\$ 3,164,898	\$ 2,974,487
Employee benefits	402,169	385,332
Professional fees	410,724	273,667
Other expense	<u>580,508</u>	<u>523,890</u>
	<u>\$ 4,558,299</u>	<u>\$ 4,157,376</u>

See Independent Auditor's Report.

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

	<u>2005</u>	<u>2004</u>
<b>Anesthesiology:</b>		
Professional fees	\$ 257,798	\$ 235,442
Supplies and other expense	<u>25,227</u>	<u>17,095</u>
	283,025	252,537
<b>Laboratory:</b>		
Salaries and wages	315,086	282,647
Employee benefits	40,180	35,580
Professional fees	96,861	83,861
Supplies and other expense	<u>235,531</u>	<u>220,128</u>
	687,658	622,216
<b>Radiology:</b>		
Salaries and wages	280,925	257,660
Employee benefits	36,620	36,092
Supplies and other expense	<u>155,424</u>	<u>141,397</u>
	472,969	435,149
<b>Nuclear Medicine:</b>		
Professional fees	317,605	252,224
Supplies and other expense	<u>54,927</u>	<u>49,925</u>
	372,532	302,149
<b>Pharmacy:</b>		
Salaries and wages	140,449	128,139
Employee benefits	17,484	16,561
Professional fees	3,300	4,682
Drugs	251,063	249,084
Supplies and other expense	<u>26,066</u>	<u>18,771</u>
	438,362	417,237
<b>Electrocardiology:</b>		
Salaries and wages	8,643	10,685
Employee benefits	1,158	1,432
Professional fees	<u>7,752</u>	<u>7,452</u>
	17,553	19,569
<b>Physical Therapy:</b>		
Salaries and wages	235,832	259,213
Employee benefits	29,204	35,191
Professional fees	2,395	28,223
Supplies and other expense	<u>24,811</u>	<u>21,990</u>
	292,242	344,617

(continued next page)

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

	<u>2005</u>	<u>2004</u>
Inhalation Therapy:		
Salaries and wages	\$ 113,951	\$ 103,745
Employee benefits	15,448	13,749
Oxygen	19,752	16,261
Supplies and other expense	<u>123,734</u>	<u>136,756</u>
	272,885	270,511
Speech Therapy:		
Professional fees	25,491	25,973
Supplies and other expense	<u>3,987</u>	<u>--</u>
	29,478	25,973
Occupational Therapy:		
Professional fees	37,921	23,379
Supplies and other expense	<u>--</u>	<u>383</u>
	37,921	23,762
Rural Health Clinic:		
Salaries and wages	358,474	339,657
Employee benefits	43,993	42,066
Supplies and other expense	<u>235,367</u>	<u>214,758</u>
	637,834	596,481
Public Health:		
Salaries and wages	734,563	724,974
Employee benefits	93,789	92,481
Professional fees	750	750
Supplies and other expense	<u>116,140</u>	<u>92,254</u>
	945,242	910,459
Social Services:		
Salaries and wages	51,209	48,624
Employee benefits	6,807	6,438
Supplies and other expense	<u>1,721</u>	<u>836</u>
	59,737	55,898

(continued next page)

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

	2005	2004
Medical Records:		
Salaries and wages	\$ 216,862	\$ 213,934
Employee benefits	27,421	27,350
Supplies and other expense	27,504	24,772
	271,787	266,056
Diabetic Education:		
Salaries and wages	65,526	14,859
Employee benefits	8,483	1,855
Supplies and other expense	5,409	4,512
	79,418	21,226
	\$ 4,898,643	\$ 4,563,840

SUMMARY

Salaries and wages	\$ 2,521,520	\$ 2,384,137
Employee benefits	320,587	308,795
Professional fees	749,873	661,986
Other expense	1,306,663	1,208,922
	\$ 4,898,643	\$ 4,563,840

See Independent Auditor's Report.

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

	2005	2004
Dietary:		
Salaries and wages	\$ 457,816	\$ 434,393
Employee benefits	59,700	55,320
Food	289,519	267,851
Supplies and other expense	58,047	48,241
	865,082	805,805
Housekeeping:		
Salaries and wages	222,109	225,249
Employee benefits	28,588	28,575
Supplies and other expense	71,837	72,513
	322,534	326,337
Laundry and Linen:		
Salaries and wages	123,611	119,924
Employee benefits	15,698	15,212
Supplies and other expense	6,936	4,006
	146,245	139,142
Operation of Plant:		
Salaries and wages	213,253	174,092
Employee benefits	27,384	22,488
Utilities	387,238	349,943
Supplies and other expense	58,114	57,812
Purchased services	68,558	81,499
	754,547	685,834
	\$ 2,088,408	\$ 1,957,118

SUMMARY

Salaries and wages	\$ 1,016,789	\$ 953,658
Employee benefits	131,370	121,595
Other expense	940,249	881,865
	\$ 2,088,408	\$ 1,957,118

See Independent Auditor's Report.

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

	<u>2005</u>	<u>2004</u>
Fiscal:		
Salaries and wages	\$ 443,646	\$ 396,183
Employee benefits	55,659	49,737
Professional fees	27,121	49,585
Collection fees	31,838	30,841
Supplies and other expense	<u>50,249</u>	<u>48,710</u>
	608,513	575,056
Personnel:		
Salaries and wages	85,905	79,943
Employee benefits	10,459	9,981
Supplies and other expense	<u>12,501</u>	<u>12,617</u>
	108,865	102,541
Administrative:		
Salaries and wages	161,619	150,556
Employee benefits	34,014	32,947
Professional fees	149,494	115,727
Dues	27,119	25,996
Telephone	48,071	47,091
Supplies and other expense	<u>65,987</u>	<u>64,146</u>
	486,304	436,463
Information Systems:		
Salaries and wages	72,171	61,136
Employee benefits	9,129	7,753
Supplies and other expense	<u>44,900</u>	<u>7,774</u>
	126,200	76,663
Medical Care Evaluation:		
Salaries and wages	54,685	48,267
Employee benefits	6,738	6,657
Professional fees	66	84
Supplies and other expense	<u>1,434</u>	<u>1,741</u>
	62,923	56,749
Marketing:		
Salaries and wages	42,745	36,202
Employee benefits	5,166	4,372
Supplies and other expense	<u>38,372</u>	<u>36,449</u>
	86,283	77,023

(continued next page)

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

	<u>2005</u>	<u>2004</u>
Insurance:		
Insurance and bonding	\$ 116,112	\$ 95,510
Medical Staff:		
Professional fees	40,000	40,000
Supplies and other expense	<u>51,890</u>	<u>33,431</u>
	91,890	73,431
Employee Welfare:		
Employee insurance	881,840	667,918
Workers' compensation insurance	119,569	86,758
Other employee benefits	11,733	9,381
Life insurance	<u>6,006</u>	<u>13,612</u>
	<u>1,019,148</u>	<u>777,669</u>
	<u>\$ 2,706,238</u>	<u>\$ 2,271,105</u>

SUMMARY

Salaries and wages	\$ 860,771	\$ 772,287
Employee benefits	1,140,313	889,116
Professional fees	216,681	205,396
Other expense	<u>488,473</u>	<u>404,306</u>
	<u>\$ 2,706,238</u>	<u>\$ 2,271,105</u>

SUMMARY OF EXPENSES

Salaries and wages	\$ 7,563,978	\$ 7,084,569
Employee benefits	1,994,439	1,704,838
Professional fees	1,377,278	1,141,049
Other expense	<u>3,315,893</u>	<u>3,018,983</u>
	<u>\$ 14,251,588</u>	<u>\$ 12,949,439</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER  
Comparative Statistics  
Year ended June 30,

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Acute Care:					
Admissions	547	486	498	493	557
Discharges	554	485	499	496	551
Patient Days	1,927	1,498	1,427	1,382	1,700
Average Length of Stay	3.48	3.09	2.86	2.79	3.09
Average Occupied Beds	5.3	4.1	3.9	3.8	4.7
Swing Bed:					
Admissions	175	190	224	219	197
Discharges	175	183	214	223	214
SNF Days	1,987	1,735	2,334	2,168	1,884
ICF Days	207	263	348	122*	5,792
Combined Average Occupied Beds	11.3	9.6	11.3	10.1*	25.7
Nursery Days	170	132	177	156	196
Long-Term Care Patient Days	23,401	22,601	24,230	26,073*	22,196
Outpatient Occasions of Service	24,741	24,413	24,110	23,647	22,546

\* 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,

	2005	2004
<b>Current Assets:</b>		
Cash	\$ 1,564,250	\$ 1,451,036
Receivables	3,641,077	2,607,983
Inventory	197,160	195,673
Prepaid expense	95,137	181,744
Succeeding year property tax receivable	681,000	670,000
Internally designated assets	184,386	211,087
Total current assets	6,363,010	5,317,523
<b>Other Assets:</b>		
Internally designated and restricted assets, net	5,523,908	5,629,522
Capital assets, net	9,187,183	7,293,663
Notes receivable	120,000	151,000
Total other assets	14,831,091	13,074,185
	\$ 21,194,101	\$ 18,391,708
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ --	\$ --
Accounts payable	360,207	511,801
Accrued expenses	1,281,420	1,057,449
Accrued interest payable	--	--
Deferred grant revenue	7,604	11,193
Estimated third-party payor settlements	1,097,000	461,000
Deferred revenue for succeeding year property tax receivable	681,000	670,000
Total current liabilities	3,427,231	2,711,443
Long-Term Debt, Net	--	--
Total liabilities	3,427,231	2,711,443
Net Assets	17,766,870	15,680,265
Total liabilities and net assets	\$ 21,194,101	\$ 18,391,708

See Independent Auditor's Report.

<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 860,693	\$ 915,014	\$ 239,086
2,637,392	2,400,312	2,340,280
190,793	197,351	183,972
160,805	72,967	81,651
672,000	667,500	683,700
<u>30,300</u>	<u>133,005</u>	<u>170,816</u>
4,551,983	4,386,149	3,699,505
6,328,452	5,296,652	4,995,497
6,747,611	7,261,951	7,265,017
64,500	6,000	23,500
<u>13,140,563</u>	<u>12,564,603</u>	<u>12,284,014</u>
<u>\$ 17,692,546</u>	<u>\$ 16,950,752</u>	<u>\$ 15,983,519</u>
\$ --	\$ 67,300	\$ 89,600
223,939	249,889	266,361
948,896	871,623	781,792
--	1,284	1,611
11,193	11,193	11,193
472,000	333,000	324,000
<u>672,000</u>	<u>667,500</u>	<u>683,700</u>
2,328,028	2,201,789	2,158,257
--	181,118	253,083
<u>2,328,028</u>	<u>2,382,907</u>	<u>2,411,340</u>
<u>15,364,518</u>	<u>14,567,845</u>	<u>13,572,179</u>
<u>\$ 17,692,546</u>	<u>\$ 16,950,752</u>	<u>\$ 15,983,519</u>

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

	<u>2005</u>	<u>2004</u>
Patient Service Revenue	\$ 16,270,199	\$ 13,962,811
Adjustments to Patient Service Revenue	<u>( 2,238,200)</u>	<u>( 1,643,735)</u>
Net Patient Service Revenue	14,031,999	12,319,076
Other Revenue	<u>334,149</u>	<u>475,542</u>
Total Revenue	14,366,148	12,794,618
Expenses	<u>15,179,689</u>	<u>13,702,555</u>
Operating Loss	( 813,541)	( 907,937)
Non-Operating Revenue, Net	<u>1,149,932</u>	<u>1,112,261</u>
Excess of Revenues Over Expenses (Expenses Over Revenues)	336,391	204,324
Capital Grants and Contributions	1,767,714	130,173
Medical Occupation Scholarship Distributions	<u>( 17,500)</u>	<u>( 18,750)</u>
Increase in Net Assets	<u>\$ 2,086,605</u>	<u>\$ 315,747</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>2003</u>	<u>2002</u>	<u>2001*</u>
\$ 13,319,220	\$ 12,712,527	\$ 12,239,391
( 1,334,031)	( 1,445,766)	( 2,269,919)
11,985,189	11,266,761	9,969,472
<u>498,305</u>	<u>526,117</u>	<u>1,191,962</u>
12,483,494	11,792,878	11,161,434
<u>12,900,106</u>	<u>12,053,157</u>	<u>11,706,730</u>
( 416,612)	( 260,279)	( 545,296)
<u>1,127,768</u>	<u>1,176,658</u>	<u>502,711</u>
711,156	916,379	( 42,585)
101,767	96,787	98,851
( <u>16,250</u> )	( <u>17,500</u> )	<u>--</u>
<u>\$ 796,673</u>	<u>\$ 995,666</u>	<u>\$ 56,266</u>

## COMMENTS AND RECOMMENDATIONS

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

ROGER A. BELL  
MARK D. KYHNN  
DAVID L. HANNASCH  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

Independent Auditor's 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  
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, 2005, and have issued our report thereon dated September 21, 2005. 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 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.

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 caused by error or fraud 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 05-I-A is a material weakness.

To the Board of Trustees  
Greene County Medical Center

Compliance and Other Matters

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, contracts, and grant agreements, 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2005 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.

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.

*Greenwald, Bell, Kuhlman & Co. P.C.*

Atlantic, Iowa  
September 21, 2005

GREENE COUNTY MEDICAL CENTER  
Schedule of Findings  
Year ended June 30, 2005

PART I - REPORTABLE CONDITIONS

05-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

05-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.

05-II-B Certified Budget: Hospital expenditures during the year ended June 30, 2005 exceeded amounts budgeted therefore by approximately \$1,859,000. The excess was caused by timing of capital related expenditures. The excess was offset by donations by the GCMC Foundation pledged to the capital project and internal reserves.

Recommendation: We recommend the Hospital periodically compare the budgeted expenditures to actual during the year, so an amended budget can be filed timely if it appears expenditures will exceed the amounts budgeted.

Response: We will periodically review the actual expenditures in the future and file an amended budget if necessary.

Conclusion: Response accepted.

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

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

GREENE COUNTY MEDICAL CENTER  
Schedule of Findings  
Year ended June 30, 2005

PART II - REQUIRED STATUTORY REPORTING - Continued

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

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

05-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.

\* \* \*