

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, 2006 AND 2005

GREENE COUNTY MEDICAL CENTER

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GREENE COUNTY MEDICAL CENTER
 Officials
 June 30, 2006

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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
Ralph Riedesel	Paton, Iowa	2006
Thomas Martin (Resigned April, 2006)	Grand Junction, Iowa	--
Kim Rueter (Appointed May, 2006)	Grand Junction, Iowa	2006
 <u>Administrator/CEO:</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	

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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, 2006 and 2005, 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, 2006 and 2005, 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 December 8, 2006 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, 2004 (none of which are presented herein) and expressed qualified opinions on those financial statements (unqualified in 2002). 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.

Stonewall, Bell, Hyman & Co. P.C.

Atlantic, Iowa
December 8, 2006

GREENE COUNTY MEDICAL CENTER

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nothing's more important than your **health**

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, 2006 and June 30, 2005. 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 \$274,850 increase in 2006 and a \$2,086,605 increase in 2005.

The Medical Center's operating loss increased from \$813,541 in 2005 to \$1,028,898 in 2006.

The Medical Center's accounts receivables increased by \$346,418 or 10% in 2006.

Net capital assets decreased by \$160,375 or 2% in 2006.

Capital contributions to the Medical Center decreased by \$1,693,412 in 2006.

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 4a. 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 \$274,850 in 2006 and \$2,086,605 in 2005, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current assets	\$ 5,806,286	\$ 6,363,010	\$ 5,317,523
Capital assets, net	9,026,808	9,187,183	7,293,663
Other noncurrent assets	<u>5,644,968</u>	<u>5,643,908</u>	<u>5,780,522</u>
Total assets	<u>\$ 20,478,062</u>	<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>
Liabilities:			
Long-term debt outstanding	\$ --	\$ --	\$ --
Other current and noncurrent liabilities	<u>2,436,342</u>	<u>3,427,231</u>	<u>2,711,443</u>
Total liabilities	<u>\$ 2,436,342</u>	<u>\$ 3,427,231</u>	<u>\$ 2,711,443</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 9,026,808	\$ 9,187,183	\$ 7,293,663
Restricted expendable net assets	221,073	190,867	181,623
Restricted nonexpendable net assets	275,000	275,000	275,000
Unrestricted	<u>8,518,839</u>	<u>8,113,820</u>	<u>7,929,979</u>
Total net assets	<u>\$ 18,041,720</u>	<u>\$ 17,766,870</u>	<u>\$ 15,680,265</u>

Current assets decreased by 9% primarily as a result of reduction in the cash accounts. Liabilities decreased by 29%, due to reductions in accounts payable and accrued payroll, along with a sizable decrease in third party payables to Medicare and Medicaid as a result of a receivable on the 2006 filed cost reports.

Net capital assets increased by \$160,375 due to major acquisition purchases being less than the depreciation for the year.

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

In 2006, the Medical Center's net assets increased by \$274,850, as shown in Table 2. This increase is made up of very different components. This year there were no large gifts from the Foundation like last year's \$1.7 million dollar gift.

Table 2: Operating Results and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues:			
Net patient service revenues	\$ 14,896,380	\$ 14,031,999	\$ 12,319,076
Other operating revenues	<u>440,584</u>	<u>334,149</u>	<u>475,542</u>
Total operating revenues	15,336,964	14,366,148	12,794,618
Operating Expenses:			
Salaries and benefits	10,101,438	9,558,417	8,789,407
Professional fees	1,210,503	1,059,673	888,825
Other operating expenses	4,068,868	3,633,498	3,271,207
Depreciation	<u>985,053</u>	<u>928,101</u>	<u>753,116</u>
Total operating expenses	<u>16,365,862</u>	<u>15,179,689</u>	<u>13,702,555</u>
Operating Loss	(1,028,898)	(813,541)	(907,937)
Nonoperating Revenues and Expenses:			
Property taxes	709,502	692,784	696,441
Investment income	196,422	101,913	80,422
Noncapital grants and contributions	346,022	355,235	334,923
Gain on disposal of assets	<u>--</u>	<u>--</u>	<u>475</u>
Total nonoperating revenues	<u>1,251,946</u>	<u>1,149,932</u>	<u>1,112,261</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Endowments	223,048	336,391	204,324
Grants, Contributions, and Endowments			
Capital grants and contributions	74,302	1,767,714	130,173
Medical Occupation Scholarships	<u>(22,500)</u>	<u>(17,500)</u>	<u>(18,750)</u>
Increase in net assets	274,850	2,086,605	315,747
Net Assets Beginning of Year	<u>17,766,870</u>	<u>15,680,265</u>	<u>15,364,518</u>
Net Assets End of Year	<u>\$ 18,041,720</u>	<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 three 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. In 2006, the operating loss increased to \$1,028,898 due to a combination of items.

The primary components of the increased operating loss are:

A decrease in Acute day volume of 10.8% and 21.4% in Swing bed days.

A decrease in patient day volume of 4.9% in the Long Term Care area.

Net patient revenues increasing 6.2%, while operating expenses increasing 7.8%.

On the expense side, there were significant increases in professional fees due to additional coverage needed in Emergency room. Supply costs ran higher than projected and utility costs were 27% higher than FY 2005.

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 climbing over the last year.

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 Medical Center received \$74,302 from the two organizations for various projects.

BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2006 was prepared on a modified accrual basis. Actual revenues and expenses were both over the budgeted figures due to higher than expected revenues and expenses in the last quarter of the fiscal year.

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 2006, the Medical Center had \$8.8 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2006, the Medical Center added \$658,040 in capital assets, significantly less than in 2005, when the building project was completed. The new assets were less than the \$985,053 in depreciation expense, explaining the decrease in net capital assets.

Construction-in-Progress:

The Medical Center began exploring an assisted living addition and purchasing a new information system.

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 and GCMC Auxiliary.

OTHER ECONOMIC FACTORS

The Medical Center considered many factors when setting the fiscal 2007 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>2006</u>	<u>2005</u>
Current Assets:		
Cash	\$ 529,968	\$ 1,564,250
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$1,521,652 in 2006, \$1,408,010 in 2005)	3,911,775	3,565,357
Accounts receivable - other	91,261	75,720
Inventory	239,333	197,160
Prepaid expense	206,965	95,137
Succeeding year property tax receivable	782,000	681,000
Internally designated assets	44,984	184,386
Total current assets	<u>5,806,286</u>	<u>6,363,010</u>
Designated and Restricted Assets:		
Internally designated assets	5,163,879	5,242,427
Restricted assets	496,073	465,867
	<u>5,659,952</u>	<u>5,708,294</u>
Less amounts required to meet current liabilities	44,984	184,386
	<u>5,614,968</u>	<u>5,523,908</u>
Capital Assets:		
Depreciable capital assets, net	8,829,697	9,156,710
Non-depreciable capital assets	197,111	30,473
	<u>9,026,808</u>	<u>9,187,183</u>
Notes Receivable	<u>30,000</u>	<u>120,000</u>
Total assets	<u>\$ 20,478,062</u>	<u>\$ 21,194,101</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
Current Liabilities:		
Accounts payable - trade	\$ 291,658	\$ 257,821
Accounts payable - plant	44,984	102,386
Accrued employee compensation	995,096	1,199,420
Estimated third-party payor settlements	315,000	1,097,000
Deferred grant revenue	7,604	7,604
Other accrued expenses	--	82,000
Deferred revenue for succeeding year property tax receivable	<u>782,000</u>	<u>681,000</u>
Total current liabilities	<u>2,436,342</u>	<u>3,427,231</u>
Net Assets:		
Invested in capital assets, net of related debt	9,026,808	9,187,183
Restricted - expendable	221,073	190,867
Non-expendable permanent endowments	275,000	275,000
Unrestricted	<u>8,518,839</u>	<u>8,113,820</u>
Total net assets	<u>18,041,720</u>	<u>17,766,870</u>
Total liabilities and net assets	<u>\$ 20,478,062</u>	<u>\$ 21,194,101</u>

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

	<u>2006</u>	<u>2005</u>
Revenue:		
Net patient service revenue	\$ 14,896,380	\$ 14,031,999
Other revenue	<u>440,584</u>	<u>334,149</u>
Total revenue	15,336,964	14,366,148
Expenses:		
Nursing service	4,874,333	4,558,299
Other professional service	5,246,884	4,898,643
General service	2,292,544	2,088,408
Fiscal and administrative service	2,967,048	2,706,238
Provision for depreciation	<u>985,053</u>	<u>928,101</u>
Total expenses	<u>16,365,862</u>	<u>15,179,689</u>
Operating Loss	(1,028,898)	(813,541)
Non-Operating Revenues:		
County taxes	709,502	692,784
Noncapital grants and contributions	346,022	355,235
Investment income	<u>196,422</u>	<u>101,913</u>
Non-operating revenues, net	<u>1,251,946</u>	<u>1,149,932</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, and Scholarship Distributions	223,048	336,391
Capital Grants and Contributions	74,302	1,767,714
Medical Occupation Scholarship Distributions	<u>(22,500)</u>	<u>(17,500)</u>
Increase in Net Assets	274,850	2,086,605
Net Assets Beginning of Year	<u>17,766,870</u>	<u>15,680,265</u>
Net Assets End of Year	<u>\$ 18,041,720</u>	<u>\$ 17,766,870</u>

The accompanying notes are an integral part of these statements.

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

	2006	2005
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 13,752,421	\$ 13,634,905
Cash paid to suppliers	(7,541,552)	(6,634,383)
Cash paid to employees	(8,215,745)	(7,371,007)
Other revenue	440,584	334,149
Net cash used in operating activities	(1,564,292)	(36,336)
Cash flows from non-capital financing activities:		
County tax revenue	709,502	692,784
Noncapital grants and contributions	346,022	351,646
Net cash provided by non-capital financing activities	1,055,524	1,044,430
Cash flows from capital and related financing activities:		
Capital grants and contributions	74,302	1,767,714
Capital expenditures	(620,256)	(390,326)
Construction in progress expenditures	(261,824)	(2,488,996)
Net cash used in capital and related financing activities	(807,778)	(1,111,608)
Cash flows from investing activities:		
Medical occupation scholarship distributions	(22,500)	(17,500)
Decrease in notes receivable	60,000	--
Change in designated and restricted assets	(151,615)	781,522
Investment income	196,422	101,913
Net cash provided by investing activities	82,307	865,935
Net increase (decrease) in cash and cash equivalents	(1,234,239)	762,421
Cash and cash equivalents at beginning of year	3,877,097	3,114,676
Cash and cash equivalents at end of year	\$ 2,642,858	\$ 3,877,097

(continued next page)

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

	<u>2006</u>	<u>2005</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 529,968	\$ 1,564,250
Cash and cash equivalents in designated and restricted assets	<u>2,112,890</u>	<u>2,312,847</u>
Total cash and cash equivalents	<u>\$ 2,642,858</u>	<u>\$ 3,877,097</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(1,028,898)	\$(813,541)
Adjustments to reconcile operating loss to net cash used in operating activities		
Provision for depreciation	985,053	928,101
Provision for bad debts	246,240	585,759
Amortization of notes receivable	30,000	31,000
Change in assets and liabilities		
Accounts receivable	(608,199)	(1,618,853)
Inventory	(42,173)	(1,487)
Prepaid expense	(111,828)	86,607
Accounts payable - trade	33,837	(93,893)
Accrued employee compensation	(204,324)	192,971
Estimated third-party payor settlements	(782,000)	636,000
Other accrued expenses	<u>(82,000)</u>	<u>31,000</u>
Total adjustments	<u>(535,394)</u>	<u>777,205</u>
Net cash used in operating activities	<u>\$(1,564,292)</u>	<u>\$(36,336)</u>

The accompanying notes are an integral part of these statements.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2006 and 2005

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. The Hospital received \$33,296 in capital contributions from the Foundation during the year ended June 30, 2006 (\$1,747,685 in 2004). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$1,846,000 (\$1,472,000 in 2005) and an increase in the change in net assets of approximately \$374,000 (\$1,613,000 decrease in 2005) for the year ended June 30, 2006.

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, 2006 and 2005

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 2006 or 2005.

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, 2006 and 2005

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, 2006 and 2005

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, 2004. The Medicaid cost reports have been finalized through June 30, 2002. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. 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, 2006 and 2005

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Healthcare occupation student loans and scholarships	\$ 221,073	\$ 171,413
Operation of diabetic education program	<u> --</u>	<u>19,454</u>
	<u>\$ 221,073</u>	<u>\$ 190,867</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, 2006 and 2005 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:

	<u>2006</u>	<u>2005</u>
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:

	<u>2006</u>	<u>2005</u>
Purchase of property and equipment	\$ 93,756	\$ 1,748,260
Medical occupation scholarships	<u>22,500</u>	<u>17,500</u>
	<u>\$ 116,256</u>	<u>\$ 1,765,760</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2006 and 2005

NOTE D - DESIGNATED NET ASSETS

Of the \$8,518,839 (\$8,113,820 as of June 30, 2005) of unrestricted net assets as of June 30, 2006, \$5,163,879 (\$5,242,427 for 2005) 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.

	2006	2005
Capital acquisitions	\$ 5,163,879	\$ 5,131,416
Employee health insurance	--	111,011
	\$ 5,163,879	\$ 5,242,427

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2006 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:

	2006	2005
Internally Designated Assets:		
Cash and cash equivalents	\$ 2,019,809	\$ 2,261,634
Certificates of deposit	3,134,854	2,978,021
Interest receivable	9,216	2,772
	\$ 5,163,879	\$ 5,242,427
Restricted Assets:		
Cash and cash equivalents	\$ 93,081	\$ 51,213
Certificates of deposit	320,000	350,000
Notes receivable	82,500	64,519
Interest receivable	492	135
	\$ 496,073	\$ 465,867

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2006 and 2005

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, 2006 and 2005, was as follows:

	2006	2005
Receivable from:		
Patients	\$ 2,511,779	\$ 1,950,659
Medicare	1,302,659	1,564,569
Medicaid	376,399	315,109
Wellmark	503,963	556,140
Other commercial insurance carriers	738,627	586,890
	5,433,427	4,973,367
Less allowances for doubtful accounts and contractual adjustments	1,521,652	1,408,010
	\$ 3,911,775	\$ 3,565,357

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2006 and 2005 were as follows:

<u>Cost</u>	<u>Balance</u> 2005	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 2006
Land Improvements	\$ 514,419	\$ --	\$ --	\$ 514,419
Buildings	7,080,868	288,250	--	7,369,118
Fixed Equipment	7,767,491	70,394	--	7,837,885
Major Movable Equipment	3,918,941	299,396	--	4,218,337
	19,281,719	658,040	--	19,939,759
<u>Depreciation</u>				
Land Improvements	282,250	25,031	--	307,281
Buildings	3,159,838	217,522	--	3,377,360
Fixed Equipment	3,927,222	365,931	--	4,293,153
Major Movable Equipment	2,755,699	376,569	--	3,132,268
Total Depreciation	10,125,009	985,053	--	11,110,062
Depreciable Capital Assets, Net	\$ 9,156,710	\$(327,013)	\$ --	\$ 8,829,697
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	13,800	166,638	--	180,438
Total Non-Depreciable Capital Assets	\$ 30,473	\$ 166,638	\$ --	\$ 197,111

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2006 and 2005

NOTE G - CAPITAL ASSETS - Continued

<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, 2006 and 2005

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, 2006, 2005, and 2004, were approximately \$448,700, \$425,300, and \$400,900, respectively, equal to the required contributions for each year.

NOTE I - COMMITMENTS AND CONTINGENCIES

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 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.

Construction in Progress

The Hospital is exploring several remodeling, construction and equipment replacement projects. At June 30, 2006, \$99,811 of construction in progress represented a down payment on a new information system having a total cost of approximately \$1,400,000. Financing for this project is being provided by funds generated internally and capital fund-raising. The remaining \$80,627 of construction in progress at June 30, 2006 represents preliminary engineering and architect fees for a potential assisted living addition. As of the date of this report, no construction commitments have been entered into on this project.

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REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY MEDICAL CENTER
 Budgetary Comparison Schedule
 Year ended June 30, 2006

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	\$ 709,502	\$ --	\$ 709,502	
Other revenues	15,867,248	86,462	15,953,710	
Transfers in (out)	<u>33,756</u>	<u>(33,756)</u>	<u>--</u>	
	16,610,506	52,706	16,663,212	
Expenses	<u>16,365,862</u>	<u>22,500</u>	<u>16,388,362</u>	
Net	244,644	30,206	274,850	
Balance beginning of year	<u>17,301,003</u>	<u>465,867</u>	<u>17,766,870</u>	
Balance end of year	<u>\$ 17,545,647</u>	<u>\$ 496,073</u>	<u>\$ 18,041,720</u>	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Budget
Amount raised by taxation	\$ 709,502	\$ 249,353	\$ 958,855	\$ 951,098
Other revenues	<u>15,953,710</u>	<u>296,417</u>	<u>16,250,127</u>	<u>16,355,796</u>
	16,663,212	545,770	17,208,982	17,306,894
Expenses	<u>16,388,362</u>	<u>1,340,448</u>	<u>17,728,810</u>	<u>17,291,895</u>
Net	274,850	(794,678)	(519,828)	14,999
Balance beginning of year	<u>17,766,870</u>	<u>(2,794,238)</u>	<u>14,972,632</u>	<u>14,972,632</u>
Balance end of year	<u>\$ 18,041,720</u>	<u>\$(3,588,916)</u>	<u>\$ 14,452,804</u>	<u>\$ 14,987,631</u>

Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted.

See Independent Auditor's Report

ACCOMPANYING INFORMATION

GREENE COUNTY MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 1,699,441	31.3%	\$ 1,419,718	28.6%
31 - 60	916,981	16.9	585,595	11.8
61 - 90	521,517	9.6	579,074	11.6
91 - 120	254,928	4.7	289,206	5.8
120 and over	2,040,560	37.5	2,099,774	42.2
	<u>5,433,427</u>	<u>100.0%</u>	<u>4,973,367</u>	<u>100.0%</u>
Allowance for doubtful accounts	1,016,652		1,040,010	
Allowance for contractual adjustments	<u>505,000</u>		<u>368,000</u>	
	<u>\$ 3,911,775</u>		<u>\$ 3,565,357</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Balance, beginning	\$1,040,010	\$ 635,000
Provision for bad debts	246,240	585,759
Recoveries of accounts previously written off	<u>14,179</u>	<u>7,430</u>
	<u>1,300,429</u>	<u>1,228,189</u>
Accounts written off	<u>283,777</u>	<u>188,179</u>
Balance, ending	<u>\$1,016,652</u>	<u>\$1,040,010</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Inventory/Prepaid Expense
June 30,

	<u>2006</u>	<u>2005</u>
<u>Inventory</u>		
Medical and surgical	\$ 109,938	\$ 81,551
Dietary	5,544	4,015
Pharmacy	51,966	41,827
Laboratory and radiology	53,469	50,973
Maintenance	<u>18,416</u>	<u>18,794</u>
	<u>\$ 239,333</u>	<u>\$ 197,160</u>
 <u>Prepaid Expense</u>		
Health insurance	\$ 93,649	\$ --
Other insurance	36,174	50,077
Service contracts and dues	<u>77,142</u>	<u>45,060</u>
	<u>\$ 206,965</u>	<u>\$ 95,137</u>

See Independent Auditor's Report.

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

	2006		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Swing Bed</u>
Daily Patient Services:			
Medical, surgical and obstetric	\$ 1,055,101	\$ 161,749	\$ 456,262
Long-term care	--	--	19,416
Coronary care	68,970	--	--
Nursery	66,880	--	--
	<u>1,190,951</u>	<u>161,749</u>	<u>475,678</u>
Other Nursing Services:			
Operating room	259,687	1,218,175	4,219
Delivery and labor rooms	35,910	630	--
Central services and supply	199,954	366,762	28,408
Emergency service	168,373	953,048	--
Cardiac rehabilitation	335	104,355	2,278
	<u>664,259</u>	<u>2,642,970</u>	<u>34,905</u>
Other Professional Services:			
Anesthesiology	150,069	304,733	1,234
Laboratory	358,175	1,989,239	43,027
Radiology	97,405	1,014,365	13,803
Nuclear medicine	204,406	1,218,422	8,379
Pharmacy	737,416	634,505	350,580
Electrocardiology	36,634	59,755	484
Physical therapy	13,684	293,467	40,364
Inhalation therapy	246,623	459,967	76,857
Diabetic education	130	39,865	--
Speech therapy	2,084	12,328	7,808
Occupational therapy	5,739	64,712	42,326
Rural Health Clinic	--	689,406	--
Public health	--	593,225	--
	<u>1,852,365</u>	<u>7,373,989</u>	<u>584,862</u>
	<u>\$ 3,707,575</u>	<u>\$ 10,178,708</u>	<u>\$ 1,095,445</u>

See Independent Auditor's Report.

	<u>2006</u>		<u>2005</u>	
	<u>LTC</u>	<u>Total</u>	<u>Total</u>	
\$	--	\$ 1,673,112	\$ 1,796,532	
	2,521,444	2,540,860	2,528,676	
	--	68,970	56,448	
	--	66,880	66,466	
	<u>2,521,444</u>	<u>4,349,822</u>	<u>4,448,122</u>	
	--	1,482,081	1,333,084	
	--	36,540	33,000	
	91,223	686,347	669,181	
	--	1,121,421	931,480	
	--	106,968	96,256	
	<u>91,223</u>	<u>3,433,357</u>	<u>3,063,001</u>	
	--	456,036	385,909	
	--	2,390,441	2,034,104	
	--	1,125,573	1,022,842	
	--	1,431,207	1,037,305	
	1,313	1,723,814	1,465,058	
	--	96,873	84,876	
	--	347,515	432,418	
	10,276	793,723	741,810	
	--	39,995	--	
	--	22,220	54,398	
	--	112,777	83,467	
	--	689,406	703,602	
	--	593,225	713,287	
	<u>11,589</u>	<u>9,822,805</u>	<u>8,759,076</u>	
\$	<u>2,624,256</u>	<u>\$ 17,605,984</u>	<u>\$ 16,270,199</u>	

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

	2006	2005
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 17,605,984	\$ 16,270,199
Contractual adjustments	(2,424,466)	(1,585,869)
Provision for bad debts	(246,240)	(585,759)
Public health adjustments	(11,406)	(24,290)
Charity care	(26,259)	(2,682)
Adjustments to long-term care revenue	(1,233)	(39,600)
	<u>\$ 14,896,380</u>	<u>\$ 14,031,999</u>
 <u>Other Revenue</u>		
Meals sold	\$ 91,743	\$ 93,801
Public health revenue	132,430	121,650
Rental income	79,965	81,490
Ever Greene Ridge operations	90,306	(12,113)
Clinic dictation services	--	1,277
Ancillary service coverage revenue	18,525	20,700
Medical record transcripts	4,764	5,322
Utilization review	20	500
In-service revenue	13,410	9,521
Miscellaneous	9,421	12,001
	<u>\$ 440,584</u>	<u>\$ 334,149</u>

See Independent Auditor's Report.

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

	2006	2005
Administrative:		
Salaries and wages	\$ 102,191	\$ 100,836
Employee benefits	16,240	13,829
Supplies and other expense	4,199	5,205
	122,630	119,870
Education:		
Supplies and other expense	1,951	2,453
Medical and Surgical:		
Salaries and wages	1,223,215	1,299,127
Employee benefits	156,621	164,839
Supplies and other expense	83,415	95,144
	1,463,251	1,559,110
Long-Term Care:		
Salaries and wages	1,101,849	1,061,423
Employee benefits	142,612	134,372
Supplies and other expense	81,593	101,536
	1,326,054	1,297,331
Coronary Care:		
Salaries and wages	12,563	15,300
Employee benefits	1,591	1,971
Supplies and other expense	13,016	26,824
	27,170	44,095
Obstetric:		
Salaries and wages	142,361	106,490
Employee benefits	17,999	14,505
Supplies and other expense	24,917	19,649
	185,277	140,644
Nursery:		
Salaries and wages	5,482	6,799
Employee benefits	717	642
	6,199	7,441
Operating Room:		
Salaries and wages	280,316	229,111
Employee benefits	34,376	28,636
Supplies and other expense	318,308	230,735
	633,000	488,482

(continued next page)

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

	2006	2005
Delivery and Labor Rooms:		
Salaries and wages	\$ 10,426	\$ 6,038
Employee benefits	1,337	670
	11,763	6,708
Central Services and Supply:		
Salaries and wages	128,133	122,432
Employee benefits	16,320	15,577
Supplies and other expense	15,590	25,470
	160,043	163,479
Emergency Service:		
Salaries and wages	194,131	155,103
Employee benefits	24,440	19,637
Professional fees	549,098	410,724
Supplies and other expense	72,307	61,760
	839,976	647,224
Eldercare:		
Salaries and wages	33,376	28,089
Employee benefits	4,161	3,433
Supplies and other expense	6,524	4,901
	44,061	36,423
Cardiac Rehabilitation:		
Salaries and wages	40,424	34,150
Employee benefits	5,064	4,058
Supplies and other expense	7,470	6,831
	52,958	45,039
	\$ 4,874,333	\$ 4,558,299

SUMMARY

Salaries and wages	\$ 3,274,467	\$ 3,164,898
Employee benefits	421,478	402,169
Professional fees	549,098	410,724
Other expense	629,290	580,508
	\$ 4,874,333	\$ 4,558,299

See Independent Auditor's Report.

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

	<u>2006</u>	<u>2005</u>
Anesthesiology:		
Professional fees	\$ 307,348	\$ 257,798
Supplies and other expense	<u>25,815</u>	<u>25,227</u>
	333,163	283,025
Laboratory:		
Salaries and wages	314,927	315,086
Employee benefits	39,957	40,180
Professional fees	127,299	96,861
Supplies and other expense	<u>269,744</u>	<u>235,531</u>
	751,927	687,658
Radiology:		
Salaries and wages	306,004	280,925
Employee benefits	39,651	36,620
Supplies and other expense	<u>147,107</u>	<u>155,424</u>
	492,762	472,969
Nuclear Medicine:		
Purchased services	313,497	317,605
Supplies and other expense	<u>65,277</u>	<u>54,927</u>
	378,774	372,532
Pharmacy:		
Salaries and wages	151,753	140,449
Employee benefits	18,793	17,484
Professional fees	10,001	3,300
Drugs	248,663	251,063
Supplies and other expense	<u>30,167</u>	<u>26,066</u>
	459,377	438,362
Electrocardiology:		
Salaries and wages	10,376	8,643
Employee benefits	1,344	1,158
Professional fees	9,564	7,752
Supplies and other expense	<u>210</u>	<u>--</u>
	21,494	17,553
Physical Therapy:		
Salaries and wages	231,849	235,832
Employee benefits	29,063	29,204
Professional fees	6,693	2,395
Supplies and other expense	<u>24,069</u>	<u>24,811</u>
	291,674	292,242

(continued next page)

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

	<u>2006</u>	<u>2005</u>
Inhalation Therapy:		
Salaries and wages	\$ 119,553	\$ 113,951
Employee benefits	15,248	15,448
Oxygen	22,638	19,752
Supplies and other expense	<u>137,726</u>	<u>123,734</u>
	295,165	272,885
Speech Therapy:		
Professional fees	12,996	25,491
Supplies and other expense	<u>126</u>	<u>3,987</u>
	13,122	29,478
Occupational Therapy:		
Salaries and wages	37,783	--
Employee benefits	4,961	--
Professional fees	4,879	37,921
Supplies and other expense	<u>1,071</u>	<u>--</u>
	48,694	37,921
Rural Health Clinic:		
Salaries and wages	421,261	358,474
Employee benefits	51,211	43,993
Supplies and other expense	<u>242,637</u>	<u>235,367</u>
	715,109	637,834
Public Health:		
Salaries and wages	781,187	734,563
Employee benefits	99,007	93,789
Professional fees	750	750
Supplies and other expense	<u>111,875</u>	<u>116,140</u>
	992,819	945,242
Social Services:		
Salaries and wages	30,754	51,209
Employee benefits	5,151	6,807
Supplies and other expense	<u>505</u>	<u>1,721</u>
	36,410	59,737

(continued next page)

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

	2006	2005
Medical Records:		
Salaries and wages	\$ 230,462	\$ 216,862
Employee benefits	29,678	27,421
Supplies and other expense	29,918	27,504
	290,058	271,787
Diabetic Education:		
Salaries and wages	107,864	65,526
Employee benefits	13,245	8,483
Supplies and other expense	5,227	5,409
	126,336	79,418
	\$ 5,246,884	\$ 4,898,643

SUMMARY

Salaries and wages	\$ 2,743,773	\$ 2,521,520
Employee benefits	347,309	320,587
Professional fees	479,530	432,268
Other expense	1,676,272	1,624,268
	\$ 5,246,884	\$ 4,898,643

See Independent Auditor's Report.

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

	2006	2005
Dietary:		
Salaries and wages	\$ 479,466	\$ 457,816
Employee benefits	61,371	59,700
Food	301,075	289,519
Supplies and other expense	56,593	58,047
	898,505	865,082
Housekeeping:		
Salaries and wages	211,309	222,109
Employee benefits	28,046	28,588
Supplies and other expense	85,687	71,837
	325,042	322,534
Laundry and Linen:		
Salaries and wages	127,012	123,611
Employee benefits	16,318	15,698
Supplies and other expense	7,298	6,936
	150,628	146,245
Operation of Plant:		
Salaries and wages	224,267	213,253
Employee benefits	29,213	27,384
Utilities	491,175	387,238
Supplies and other expense	73,599	58,114
Purchased services	100,115	68,558
	918,369	754,547
	\$ 2,292,544	\$ 2,088,408

SUMMARY

Salaries and wages	\$ 1,042,054	\$ 1,016,789
Employee benefits	134,948	131,370
Other expense	1,115,542	940,249
	\$ 2,292,544	\$ 2,088,408

See Independent Auditor's Report.

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

	<u>2006</u>	<u>2005</u>
Fiscal:		
Salaries and wages	\$ 528,730	\$ 443,646
Employee benefits	65,646	55,659
Professional fees	7,554	27,121
Collection fees	21,811	31,838
Supplies and other expense	<u>55,545</u>	<u>50,249</u>
	679,286	608,513
Personnel:		
Salaries and wages	90,461	85,905
Employee benefits	10,956	10,459
Supplies and other expense	<u>20,326</u>	<u>12,501</u>
	121,743	108,865
Administrative:		
Salaries and wages	169,195	161,619
Employee benefits	35,906	34,014
Professional fees	134,321	149,494
Dues	26,766	27,119
Telephone	49,565	48,071
Supplies and other expense	<u>64,316</u>	<u>65,987</u>
	480,069	486,304
Information Systems:		
Salaries and wages	63,093	72,171
Employee benefits	8,174	9,129
Supplies and other expense	<u>190,500</u>	<u>44,900</u>
	261,767	126,200
Medical Care Evaluation:		
Salaries and wages	56,997	54,685
Employee benefits	7,134	6,738
Professional fees	--	66
Supplies and other expense	<u>3,545</u>	<u>1,434</u>
	67,676	62,923
Marketing:		
Salaries and wages	42,651	42,745
Employee benefits	4,915	5,166
Supplies and other expense	<u>38,175</u>	<u>38,372</u>
	85,741	86,283

(continued next page)

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

	2006	2005
Insurance:		
Insurance and bonding	\$ 124,352	\$ 116,112
Medical Staff:		
Professional fees	40,000	40,000
Supplies and other expense	52,863	51,890
	92,863	91,890
Employee Welfare:		
Employee insurance	903,348	881,840
Workers' compensation insurance	117,328	119,569
Other employee benefits	32,239	11,733
Life insurance	636	6,006
	1,053,551	1,019,148
	\$ 2,967,048	\$ 2,706,238

SUMMARY

Salaries and wages	\$ 951,127	\$ 860,771
Employee benefits	1,186,282	1,140,313
Professional fees	181,875	216,681
Other expense	647,764	488,473
	\$ 2,967,048	\$ 2,706,238

SUMMARY OF EXPENSES

Salaries and wages	\$ 8,011,421	\$ 7,563,978
Employee benefits	2,090,017	1,994,439
Professional fees	1,210,503	1,059,673
Other expense	4,068,868	3,633,498
	\$ 15,380,809	\$ 14,251,588

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Acute Care:					
Admissions	543	547	486	498	493
Discharges	544	554	485	499	496
Patient Days	1,719	1,927	1,498	1,427	1,382
Average Length of Stay	3.16	3.48	3.09	2.86	2.79
Average Occupied Beds	4.7	5.3	4.1	3.9	3.8
Swing Bed:					
Admissions	159	175	190	224	219
Discharges	162	175	183	214	223
SNF Days	1,562	1,987	1,735	2,334	2,168
ICF Days	182	207	263	348	122
Combined Average Occupied Beds	9.5	11.3	9.6	11.3	10.1
Nursery Days	160	170	132	177	156
Long-Term Care Patient Days	22,274	23,401	22,601	24,230	26,073
Outpatient Occasions of Service	25,623	24,741	24,413	24,110	23,647

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Balance Sheets
June 30,

	2006	2005
Current Assets:		
Cash	\$ 529,968	\$ 1,564,250
Receivables	4,003,036	3,641,077
Inventory	239,333	197,160
Prepaid expense	206,965	95,137
Succeeding year property tax receivable	782,000	681,000
Internally designated assets	44,984	184,386
Total current assets	5,806,286	6,363,010
Other Assets:		
Internally designated and restricted assets, net	5,614,968	5,523,908
Capital assets, net	9,026,808	9,187,183
Notes receivable	30,000	120,000
Total other assets	14,671,776	14,831,091
	\$ 20,478,062	\$ 21,194,101
Current Liabilities:		
Current maturities of long-term debt	\$ --	\$ --
Accounts payable	336,642	360,207
Accrued expenses	995,096	1,281,420
Accrued interest payable	--	--
Deferred grant revenue	7,604	7,604
Estimated third-party payor settlements	315,000	1,097,000
Deferred revenue for succeeding year property tax receivable	782,000	681,000
Total current liabilities	2,436,342	3,427,231
Long-Term Debt, Net	--	--
Total liabilities	2,436,342	3,427,231
Net Assets	18,041,720	17,766,870
Total liabilities and net assets	\$ 20,478,062	\$ 21,194,101

See Independent Auditor's Report.

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,451,036	\$ 860,693	\$ 915,014
2,607,983	2,637,392	2,400,312
195,673	190,793	197,351
181,744	160,805	72,967
670,000	672,000	667,500
211,087	30,300	133,005
<u>5,317,523</u>	<u>4,551,983</u>	<u>4,386,149</u>
5,629,522	6,328,452	5,296,652
7,293,663	6,747,611	7,261,951
151,000	64,500	6,000
<u>13,074,185</u>	<u>13,140,563</u>	<u>12,564,603</u>
<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>	<u>\$ 16,950,752</u>
\$ --	\$ --	\$ 67,300
511,801	223,939	249,889
1,057,449	948,896	871,623
--	--	1,284
11,193	11,193	11,193
461,000	472,000	333,000
670,000	672,000	667,500
<u>2,711,443</u>	<u>2,328,028</u>	<u>2,201,789</u>
--	--	181,118
<u>2,711,443</u>	<u>2,328,028</u>	<u>2,382,907</u>
<u>15,680,265</u>	<u>15,364,518</u>	<u>14,567,845</u>
<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>	<u>\$ 16,950,752</u>

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

	<u>2006</u>	<u>2005</u>
Patient Service Revenue	\$ 17,605,984	\$ 16,270,199
Adjustments to Patient Service Revenue	<u>(2,709,604)</u>	<u>(2,238,200)</u>
Net Patient Service Revenue	14,896,380	14,031,999
Other Revenue	<u>440,584</u>	<u>334,149</u>
Total Revenue	15,336,964	14,366,148
Expenses	<u>16,365,862</u>	<u>15,179,689</u>
Operating Loss	(1,028,898)	(813,541)
Non-Operating Revenue, Net	<u>1,251,946</u>	<u>1,149,932</u>
Excess of Revenues Over Expenses	223,048	336,391
Capital Grants and Contributions	74,302	1,767,714
Medical Occupation Scholarship Distributions	<u>(22,500)</u>	<u>(17,500)</u>
Increase in Net Assets	<u>\$ 274,850</u>	<u>\$ 2,086,605</u>

See Independent Auditor's Report.

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 13,962,811	\$ 13,319,220	\$ 12,712,527
<u>(1,643,735)</u>	<u>(1,334,031)</u>	<u>(1,445,766)</u>
12,319,076	11,985,189	11,266,761
<u>475,542</u>	<u>498,305</u>	<u>526,117</u>
12,794,618	12,483,494	11,792,878
<u>13,702,555</u>	<u>12,900,106</u>	<u>12,053,157</u>
(907,937)	(416,612)	(260,279)
<u>1,112,261</u>	<u>1,127,768</u>	<u>1,176,658</u>
204,324	711,156	916,379
130,173	101,767	96,787
<u>(18,750)</u>	<u>(16,250)</u>	<u>(17,500)</u>
<u>\$ 315,747</u>	<u>\$ 796,673</u>	<u>\$ 995,666</u>

COMMENTS AND RECOMMENDATIONS

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

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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, 2006, and have issued our report thereon dated December 8, 2006. 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 06-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, 2006 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 except for item 06-II-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.

Arnewold, Bell, Kyburz & Co. P.C.

Atlantic, Iowa
December 8, 2006

GREENE COUNTY MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2006

PART I - REPORTABLE CONDITIONS

06-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

06-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2006 exceeded amounts budgeted therefore by approximately \$437,000. The excess was caused by higher than expected expenses in the last quarter of the fiscal year. The excess expense was offset by additional patient revenues generated.

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.

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

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

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

GREENE COUNTY MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2006

PART II - REQUIRED STATUTORY REPORTING - Continued

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

06-II-F 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.

* * *