

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, 2007 AND 2006

GREENE COUNTY MEDICAL CENTER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of Greene County Medical Center as of June 30, 2007 and 2006, 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, 2007 and 2006, 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 7, 2007 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 on pages 4 through 4d and the budgetary comparison schedule on page 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, 2005 (none of which are presented herein) and expressed qualified 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.

Arnold, Bell, Kelson & Co. P.C.

Atlantic, Iowa
December 7, 2007

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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, 2007 and June 30, 2006. 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 \$64,048 increase in 2007 and a \$274,850 increase in 2006.

The Medical Center's operating loss increased from \$1,028,898 in 2006 to \$1,062,008 in 2007.

The Medical Center's accounts receivables increased by \$433,939 or 11% in 2007.

Net capital assets increased by \$83,603 or 1% in 2007.

Capital contributions to the Medical Center totaled \$78,060 in 2007.

The Medical Center recorded an unusual expense item in 2007 with the decision to abandon plans regarding construction of an assisted living complex. The costs written off totaled \$311,785.

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 \$64,048 in 2007 and \$274,850 in 2006, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current assets	\$ 6,797,793	\$ 5,806,286	\$ 6,363,010
Capital assets, net	9,110,411	9,026,808	9,187,183
Other noncurrent assets	<u>4,907,629</u>	<u>5,644,968</u>	<u>5,643,908</u>
Total assets	<u>\$ 20,815,833</u>	<u>\$ 20,478,062</u>	<u>\$ 21,194,101</u>
Liabilities:			
Long-term debt outstanding	\$ --	\$ --	\$ --
Other current and noncurrent liabilities	<u>2,710,065</u>	<u>2,436,342</u>	<u>3,427,231</u>
Total liabilities	<u>\$ 2,710,065</u>	<u>\$ 2,436,342</u>	<u>\$ 3,427,231</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 9,110,411	\$ 9,026,808	\$ 9,187,183
Restricted - expendable	174,258	221,073	190,867
Non-expendable permanent endowments	275,000	275,000	275,000
Unrestricted	<u>8,546,099</u>	<u>8,518,839</u>	<u>8,113,820</u>
Total net assets	<u>\$ 18,105,768</u>	<u>\$ 18,041,720</u>	<u>\$ 17,766,870</u>

Current assets increased by 17% primarily as a result of an increase in cash accounts and accounts receivable. Other noncurrent assets decreased by 13% due to using reserves to help pay for the new information system. Liabilities increased by 11%, due to an increase in third party payables to Medicare and Medicaid.

Net capital assets increased by \$83,603 due to major acquisition purchases and construction in progress expenditures being greater than the depreciation for the year.

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

In 2007, the Medical Center's net assets increased by \$64,048, as shown in Table 2. This increase is made up of very different components. This year the most significant change was the unusual item in writing off the planning costs associated with the assisted living complex, after the Board decided not to proceed.

Table 2: Operating Results and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues:			
Net patient service revenues	\$ 15,349,955	\$ 14,896,380	\$ 14,031,999
Other operating revenues	<u>420,027</u>	<u>440,584</u>	<u>334,149</u>
Total operating revenues	15,769,982	15,336,964	14,366,148
Operating Expenses:			
Salaries and benefits	10,435,269	10,101,438	9,558,417
Professional fees	1,304,701	1,210,503	1,059,673
Other operating expenses	4,123,742	4,068,868	3,633,498
Depreciation	<u>968,278</u>	<u>985,053</u>	<u>928,101</u>
Total operating expenses	<u>16,831,990</u>	<u>16,365,862</u>	<u>15,179,689</u>
Operating Loss	(1,062,008)	(1,028,898)	(813,541)
Nonoperating Revenues:			
Property taxes	809,805	709,502	692,784
Investment income	249,947	196,422	101,913
Noncapital grants and contributions	322,224	346,022	355,235
Gain on disposal of assets	<u>305</u>	<u>--</u>	<u>--</u>
Total nonoperating revenues	<u>1,382,281</u>	<u>1,251,946</u>	<u>1,149,932</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	320,273	223,048	336,391
Capital grants and contributions	78,060	74,302	1,767,714
Medical Occupation Scholarships	(22,500)	(22,500)	(17,500)
Unusual item	<u>(311,785)</u>	<u>--</u>	<u>--</u>
Increase in net assets	64,048	274,850	2,086,605
Net Assets Beginning of Year	<u>18,041,720</u>	<u>17,766,870</u>	<u>15,680,265</u>
Net Assets End of Year	<u>\$ 18,105,768</u>	<u>\$ 18,041,720</u>	<u>\$ 17,766,870</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 2005, the operating loss was \$813,541. In 2006, the operating loss increased to \$1,028,898. In 2007, the operating loss increased to \$1,062,008 due to a combination of items.

The primary components of the increased operating loss are:

A decrease in Acute day volume of 7.3%.

Both total operating revenues and total operating expenses increased 2.8% in 2007 over 2006.

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 an increase in the levy rate - the first levy rate increase in 6 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 \$78,060 from the two organizations for various projects.

BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2007 was prepared on a modified accrual basis. Actual revenues and expenses were both below the budgeted figures due to major construction projects not occurring.

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 2007, the Medical Center had \$8.2 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2007, the Medical Center added \$332,939 in capital assets, significantly less than in 2006. The new assets were less than the \$968,278 in depreciation expense, explaining the decrease in depreciable net capital assets.

Construction-in-Progress:

The Medical Center began purchasing a new information system and nurse call 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>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 890,376	\$ 529,968
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$1,542,437 in 2007, \$1,521,652 in 2006)	4,345,714	3,911,775
Accounts receivable - other	107,503	91,261
Inventory	233,186	239,333
Prepaid expense	298,264	206,965
Succeeding year property tax receivable	873,000	782,000
Internally designated assets	49,750	44,984
Total current assets	<u>6,797,793</u>	<u>5,806,286</u>
Designated and Restricted Assets:		
Internally designated assets	4,454,961	5,163,879
Restricted assets	449,258	496,073
	<u>4,904,219</u>	<u>5,659,952</u>
Less amounts required to meet current liabilities	49,750	44,984
	<u>4,854,469</u>	<u>5,614,968</u>
Capital Assets:		
Depreciable capital assets, net	8,194,358	8,829,697
Non-depreciable capital assets	916,053	197,111
	<u>9,110,411</u>	<u>9,026,808</u>
Notes Receivable	<u>53,160</u>	<u>30,000</u>
Total assets	<u>\$ 20,815,833</u>	<u>\$ 20,478,062</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Accounts payable - trade	\$ 221,426	\$ 291,658
Accounts payable - plant	49,750	44,984
Accrued employee compensation	1,011,285	995,096
Estimated third-party payor settlements	547,000	315,000
Deferred grant revenue	7,604	7,604
Deferred revenue for succeeding year property tax receivable	<u>873,000</u>	<u>782,000</u>
Total current liabilities	2,710,065	2,436,342
Net Assets:		
Invested in capital assets, net of related debt	9,110,411	9,026,808
Restricted - expendable	174,258	221,073
Non-expendable permanent endowments	275,000	275,000
Unrestricted	<u>8,546,099</u>	<u>8,518,839</u>
Total net assets	18,105,768	18,041,720
Total liabilities and net assets	<u>\$ 20,815,833</u>	<u>\$ 20,478,062</u>

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

	<u>2007</u>	<u>2006</u>
Revenue:		
Net patient service revenue	\$ 15,349,955	\$ 14,896,380
Other revenue	<u>420,027</u>	<u>440,584</u>
Total revenue	15,769,982	15,336,964
Expenses:		
Nursing service	5,228,964	4,874,333
Other professional service	5,301,288	5,246,884
General service	2,355,826	2,292,544
Fiscal and administrative service	2,977,634	2,967,048
Provision for depreciation	<u>968,278</u>	<u>985,053</u>
Total expenses	<u>16,831,990</u>	<u>16,365,862</u>
Operating Loss	(1,062,008)	(1,028,898)
Non-Operating Revenues:		
County taxes	809,805	709,502
Noncapital grants and contributions	322,224	346,022
Investment income	249,947	196,422
Gain on disposal of equipment	<u>305</u>	<u>--</u>
Non-operating revenues, net	<u>1,382,281</u>	<u>1,251,946</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	320,273	223,048
Capital Grants and Contributions	78,060	74,302
Medical Occupation Scholarship Distributions	(22,500)	(22,500)
Unusual Item (Note J)	<u>(311,785)</u>	<u>--</u>
Increase in Net Assets	64,048	274,850
Net Assets Beginning of Year	<u>18,041,720</u>	<u>17,766,870</u>
Net Assets End of Year	<u>\$ 18,105,768</u>	<u>\$ 18,041,720</u>

The accompanying notes are an integral part of these statements.

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

	2007	2006
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 15,131,774	\$ 13,752,421
Cash paid to suppliers	(7,626,458)	(7,541,552)
Cash paid to employees	(8,356,449)	(8,215,745)
Other revenue	<u>420,027</u>	<u>440,584</u>
Net cash used in operating activities	(431,106)	(1,564,292)
Cash flows from non-capital financing activities:		
County tax revenue	809,805	709,502
Noncapital grants and contributions	<u>322,224</u>	<u>346,022</u>
Net cash provided by non-capital financing activities	1,132,029	1,055,524
Cash flows from capital and related financing activities:		
Capital grants and contributions	78,060	74,302
Capital expenditures	(298,432)	(620,256)
Construction in progress expenditures	(814,783)	(261,824)
Unusual item	(245,685)	--
Proceeds from sale of property and equipment	<u>305</u>	<u>--</u>
Net cash used in capital and related financing activities	(1,280,535)	(807,778)
Cash flows from investing activities:		
Medical occupation scholarship distributions	(22,500)	(22,500)
Change in notes receivable	(43,160)	60,000
Change in designated and restricted assets	66,021	(151,615)
Investment income	<u>249,947</u>	<u>196,422</u>
Net cash provided by investing activities	<u>250,308</u>	<u>82,307</u>
Net decrease in cash and cash equivalents	(329,304)	(1,234,239)
Cash and cash equivalents at beginning of year	<u>2,642,858</u>	<u>3,877,097</u>
Cash and cash equivalents at end of year	<u>\$ 2,313,554</u>	<u>\$ 2,642,858</u>

(continued next page)

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

	<u>2007</u>	<u>2006</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 890,376	\$ 529,968
Cash and cash equivalents in designated and restricted assets	<u>1,423,178</u>	<u>2,112,890</u>
Total cash and cash equivalents	<u>\$ 2,313,554</u>	<u>\$ 2,642,858</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(1,062,008)	\$(1,028,898)
Adjustments to reconcile operating loss to net cash used in operating activities		
Provision for depreciation	968,278	985,053
Provision for bad debts	432,174	246,240
Amortization of notes receivable	20,000	30,000
Change in assets and liabilities		
Accounts receivable	(882,355)	(608,199)
Inventory	6,147	(42,173)
Prepaid expense	(91,299)	(111,828)
Accounts payable - trade	(70,232)	33,837
Accrued employee compensation	16,189	(204,324)
Estimated third-party payor settlements	232,000	(782,000)
Other accrued expenses	--	(82,000)
Total adjustments	<u>630,902</u>	<u>(535,394)</u>
Net cash used in operating activities	<u>\$(431,106)</u>	<u>1,564,292)</u>

The accompanying notes are an integral part of these statements.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2007 and 2006

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 \$68,185 in capital contributions from the Foundation during the year ended June 30, 2007 (\$33,296 in 2006). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$1,909,000 (\$1,846,000 in 2006) and an increase in the change in net assets of approximately \$63,000 (\$374,000 in 2006) for the year ended June 30, 2007.

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, 2007 and 2006

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 2007 or 2006.

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, 2007 and 2006

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, 2007 and 2006

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 and most outpatient services 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, 2005. The Medicaid cost reports have been finalized through June 30, 2004. 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, 2007 and 2006

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2007	2006
Healthcare occupation student loans and scholarships	<u>\$ 174,258</u>	<u>\$ 221,073</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, 2007 and 2006 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:

	2007	2006
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:

	2007	2006
Purchase of property and equipment	\$ 78,060	\$ 93,756
Medical occupation scholarships	<u>65,660</u>	<u>22,500</u>
	<u>\$ 143,720</u>	<u>\$ 116,256</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE D - DESIGNATED NET ASSETS

Of the \$8,546,099 (\$8,518,839 as of June 30, 2006) of unrestricted net assets as of June 30, 2007, \$4,454,961 (\$5,163,879 for 2006) 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.

	2007	2006
Capital acquisitions	\$ 4,454,961	\$ 5,163,879

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2007 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:

	2007	2006
Internally Designated Assets:		
Cash and cash equivalents	\$ 1,356,032	\$ 2,019,809
Certificates of deposit	3,094,936	3,134,854
Interest receivable	3,993	9,216
	\$ 4,454,961	\$ 5,163,879
Restricted Assets:		
Cash and cash equivalents	\$ 67,146	\$ 93,081
Certificates of deposit	300,000	320,000
Notes receivable	81,559	82,500
Interest receivable	553	492
	\$ 449,258	\$ 496,073

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, 2007 and 2006

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, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Receivable from:		
Patients	\$ 2,639,890	\$ 2,511,779
Medicare	1,963,398	1,302,659
Medicaid	246,446	376,399
Wellmark	579,875	503,963
Other commercial insurance carriers	<u>458,542</u>	<u>738,627</u>
	5,888,151	5,433,427
Less allowances for doubtful accounts and contractual adjustments	<u>1,542,437</u>	<u>1,521,652</u>
	<u>\$ 4,345,714</u>	<u>\$ 3,911,775</u>

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2007 and 2006 were as follows:

<u>Cost</u>	<u>Balance 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2007</u>
Land Improvements	\$ 514,419	\$ 15,590	\$ --	\$ 530,009
Buildings	7,369,118	32,417	--	7,401,535
Fixed Equipment	7,837,885	92,964	--	7,930,849
Major Movable Equipment	<u>4,218,337</u>	<u>191,968</u>	<u>286,234</u>	<u>4,124,071</u>
	19,939,759	332,939	286,234	19,986,464
<u>Depreciation</u>				
Land Improvements	307,281	26,357	--	333,638
Buildings	3,377,360	228,274	--	3,605,634
Fixed Equipment	4,293,153	372,061	--	4,665,214
Major Movable Equipment	<u>3,132,268</u>	<u>341,586</u>	<u>286,234</u>	<u>3,187,620</u>
Total Depreciation	<u>11,110,062</u>	<u>968,278</u>	<u>286,234</u>	<u>11,792,106</u>
Depreciable Capital Assets, Net	<u>\$ 8,829,697</u>	<u>\$(635,339)</u>	<u>\$ --</u>	<u>\$ 8,194,358</u>
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	<u>180,438</u>	<u>1,053,268</u>	<u>334,326</u>	<u>899,380</u>
Total Non-Depreciable Capital Assets	<u>\$ 197,111</u>	<u>\$1,053,268</u>	<u>\$ 334,326</u>	<u>\$ 916,053</u>

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2006</u>
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
	<u>19,281,719</u>	<u>658,040</u>	<u>--</u>	<u>19,939,759</u>
<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	<u>10,125,009</u>	<u>985,053</u>	<u>--</u>	<u>11,110,062</u>
Depreciable Capital Assets, Net	<u>\$ 9,156,710</u>	<u>\$(327,013)</u>	<u>\$ --</u>	<u>\$ 8,829,697</u>
Land	\$ 16,673	\$ --	\$ --	\$ 16,673
Construction in Progress	<u>13,800</u>	<u>166,638</u>	<u>--</u>	<u>180,438</u>
Total Non-Depreciable Capital Assets	<u>\$ 30,473</u>	<u>\$ 166,638</u>	<u>\$ --</u>	<u>\$ 197,111</u>

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% (3.90% beginning July 1, 2007) of their annual salary and the Hospital is required to contribute 5.75% (6.05% beginning July 1, 2007) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were approximately \$472,200, \$448,700, and \$425,300, respectively, equal to the required contributions for each year.

GREENE COUNTY MEDICAL CENTER
Notes to Financial Statements
June 30, 2007 and 2006

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, 2007, \$764,018 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 \$135,362 of construction in progress at June 30, 2007 represents various smaller projects having a total cost of approximately \$300,000.

NOTE J - UNUSUAL ITEM

During the year ended June 30, 2007, the Hospital decided to abandon plans regarding the construction of an assisted living complex. The unusual item (\$311,785) on the statement of revenues, expenses and changes in net assets consists of costs associated with this project which were written off during the year. These costs consist of \$73,300 in construction in progress at June 30, 2006 and an additional \$238,485 expended during the year ended June 30, 2007.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY MEDICAL CENTER
 Budgetary Comparison Schedule
 Year ended June 30, 2007

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	\$ 809,805	\$ --	\$ 809,805	
Other revenues	16,323,613	96,905	16,420,518	
Transfers in (out)	<u>121,220</u>	<u>(121,220)</u>	<u>--</u>	
	17,254,638	(24,315)	17,230,323	
Expenses	<u>17,143,775</u>	<u>22,500</u>	<u>17,166,275</u>	
Net	110,863	(46,815)	64,048	
Balance beginning of year	<u>17,545,647</u>	<u>496,073</u>	<u>18,041,720</u>	
Balance end of year	<u>\$ 17,656,510</u>	<u>\$ 449,258</u>	<u>\$ 18,105,768</u>	
	<u>Total Per Financial Statements</u>	<u>Budget Adjustments</u>	<u>Budget Basis</u>	<u>Budget</u>
Amount raised by taxation	\$ 809,805	\$ 245,993	\$ 1,055,798	\$ 1,051,128
Other revenues	<u>16,420,518</u>	<u>336,015</u>	<u>16,756,533</u>	<u>20,609,917</u>
	17,230,323	582,008	17,812,331	21,661,045
Expenses	<u>17,166,275</u>	<u>1,636,431</u>	<u>18,802,706</u>	<u>22,189,319</u>
Net	64,048	(1,054,423)	(990,375)	(528,274)
Balance beginning of year	<u>18,041,720</u>	<u>(1,160,297)</u>	<u>16,881,423</u>	<u>16,881,423</u>
Balance end of year	<u>\$ 18,105,768</u>	<u>\$(2,214,720)</u>	<u>\$ 15,891,048</u>	<u>\$ 16,353,149</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

GREENE COUNTY MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2007		2006	
	Amount	Percent to Total	Amount	Percent to Total
0 - 30	\$ 1,717,958	29.2%	\$ 1,699,441	31.3%
31 - 60	1,117,532	19.0	916,981	16.9
61 - 90	651,601	11.1	521,517	9.6
91 - 120	220,535	3.7	254,928	4.7
120 and over	2,180,525	37.0	2,040,560	37.5
	<u>5,888,151</u>	<u>100.0%</u>	<u>5,433,427</u>	<u>100.0%</u>
Allowance for doubtful accounts	1,084,437		1,016,652	
Allowance for contractual adjustments	<u>458,000</u>		<u>505,000</u>	
	<u>\$ 4,345,714</u>		<u>\$ 3,911,775</u>	

Allowance for Doubtful Accounts:

	Year ended June 30,	
	2007	2006
Balance, beginning	\$1,016,652	\$1,040,010
Provision for bad debts	432,174	246,240
Recoveries of accounts previously written off	<u>8,238</u>	<u>14,179</u>
	1,457,064	1,300,429
Accounts written off	<u>372,627</u>	<u>283,777</u>
Balance, ending	<u>\$1,084,437</u>	<u>\$1,016,652</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Inventory/Prepaid Expense
June 30,

	2007	2006
<u>Inventory</u>		
Medical and surgical	\$ 96,571	\$ 109,938
Dietary	5,334	5,544
Pharmacy	63,973	51,966
Laboratory and radiology	48,780	53,469
Maintenance	18,528	18,416
	\$ 233,186	\$ 239,333
 <u>Prepaid Expense</u>		
Health insurance	\$ 96,349	\$ 93,649
Other insurance	119,988	36,174
Service contracts and dues	81,927	77,142
	\$ 298,264	\$ 206,965

See Independent Auditor's Report.

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

	2007		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Swing Bed</u>
Daily Patient Services:			
Medical, surgical and obstetric	\$ 1,019,575	\$ 198,853	\$ 508,331
Long-term care	--	--	17,749
Coronary care	114,810	--	--
Nursery	57,850	--	--
	<u>1,192,235</u>	<u>198,853</u>	<u>526,080</u>
Other Nursing Services:			
Operating room	208,029	1,449,706	4,393
Delivery and labor rooms	38,918	671	--
Central services and supply	174,642	474,473	37,553
Emergency service	164,586	1,087,530	--
Cardiac rehabilitation	--	171,480	2,982
	<u>586,175</u>	<u>3,183,860</u>	<u>44,928</u>
Other Professional Services:			
Anesthesiology	127,413	393,238	1,488
Laboratory	324,967	2,080,959	43,090
Radiology	92,021	1,072,888	9,252
Nuclear medicine	193,682	1,156,724	17,757
Pharmacy	732,558	815,518	354,407
Electrocardiology	28,496	71,937	640
Physical therapy	13,257	281,688	49,264
Inhalation therapy	210,789	496,057	70,962
Diabetic education	--	87,379	--
Speech therapy	3,919	11,539	11,199
Occupational therapy	8,221	89,634	50,407
Rural Health Clinic	--	799,154	--
Public health	--	567,220	--
	<u>1,735,323</u>	<u>7,923,935</u>	<u>608,466</u>
	<u>\$ 3,513,733</u>	<u>\$ 11,306,648</u>	<u>\$ 1,179,474</u>

See Independent Auditor's Report.

2007		2006
LTC	Total	Total
\$ --	\$ 1,726,759	\$ 1,673,112
2,824,391	2,842,140	2,540,860
--	114,810	68,970
--	57,850	66,880
<u>2,824,391</u>	<u>4,741,559</u>	<u>4,349,822</u>
--	1,662,128	1,482,081
--	39,589	36,540
105,817	792,485	686,347
--	1,252,116	1,121,421
--	174,462	106,968
<u>105,817</u>	<u>3,920,780</u>	<u>3,433,357</u>
--	522,139	456,036
224	2,449,240	2,390,441
--	1,174,161	1,125,573
--	1,368,163	1,431,207
256	1,902,739	1,723,814
--	101,073	96,873
--	344,209	347,515
9,000	786,808	793,723
--	87,379	39,995
--	26,657	22,220
--	148,262	112,777
--	799,154	689,406
--	567,220	593,225
<u>9,480</u>	<u>10,277,204</u>	<u>9,822,805</u>
<u>\$ 2,939,688</u>	<u>\$ 18,939,543</u>	<u>\$ 17,605,984</u>

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

	2007	2006
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 18,939,543	\$ 17,605,984
Contractual adjustments	(3,088,132)	(2,424,466)
Provision for bad debts	(432,174)	(246,240)
Public health adjustments	(35,219)	(11,406)
Charity care	(55,787)	(26,259)
Adjustments to long-term care revenue	21,724	(1,233)
	<u>\$ 15,349,955</u>	<u>\$ 14,896,380</u>
 <u>Other Revenue</u>		
Meals sold	\$ 87,803	\$ 91,743
Public health revenue	136,182	132,430
Rental income	79,671	79,965
Ever Greene Ridge operations	68,837	90,306
Ancillary service coverage revenue	18,851	18,525
Medical record transcripts	18,779	4,764
Utilization review	105	20
In-service revenue	1,411	13,410
Miscellaneous	8,388	9,421
	<u>\$ 420,027</u>	<u>\$ 440,584</u>

See Independent Auditor's Report.

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

	<u>2007</u>	<u>2006</u>
Administrative:		
Salaries and wages	\$ 110,226	\$ 102,191
Employee benefits	16,960	16,240
Supplies and other expense	<u>2,000</u>	<u>4,199</u>
	129,186	122,630
Education:		
Supplies and other expense	862	1,951
Medical and Surgical:		
Salaries and wages	1,362,617	1,223,215
Employee benefits	173,009	156,621
Supplies and other expense	<u>80,802</u>	<u>83,415</u>
	1,616,428	1,463,251
Long-Term Care:		
Salaries and wages	1,132,103	1,101,849
Employee benefits	146,875	142,612
Supplies and other expense	<u>86,594</u>	<u>81,593</u>
	1,365,572	1,326,054
Coronary Care:		
Salaries and wages	18,220	12,563
Employee benefits	2,371	1,591
Supplies and other expense	<u>13,229</u>	<u>13,016</u>
	33,820	27,170
Obstetric:		
Salaries and wages	130,241	142,361
Employee benefits	16,799	17,999
Supplies and other expense	<u>22,764</u>	<u>24,917</u>
	169,804	185,277
Nursery:		
Salaries and wages	6,875	5,482
Employee benefits	<u>897</u>	<u>717</u>
	7,772	6,199
Operating Room:		
Salaries and wages	260,791	280,316
Employee benefits	34,768	34,376
Supplies and other expense	<u>351,622</u>	<u>318,308</u>
	647,181	633,000

(continued next page)

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

	<u>2007</u>	<u>2006</u>
Delivery and Labor Rooms:		
Salaries and wages	\$ 10,306	\$ 10,426
Employee benefits	<u>1,327</u>	<u>1,337</u>
	11,633	11,763
Central Services and Supply:		
Salaries and wages	137,756	128,133
Employee benefits	17,769	16,320
Supplies and other expense	<u>10,796</u>	<u>15,590</u>
	166,321	160,043
Emergency Service:		
Salaries and wages	259,309	194,131
Employee benefits	33,399	24,440
Professional fees	610,510	549,098
Supplies and other expense	<u>70,967</u>	<u>72,307</u>
	974,185	839,976
Eldercare:		
Salaries and wages	30,585	33,376
Employee benefits	3,704	4,161
Supplies and other expense	<u>2,190</u>	<u>6,524</u>
	36,479	44,061
Cardiac Rehabilitation:		
Salaries and wages	48,580	40,424
Employee benefits	6,176	5,064
Supplies and other expense	<u>14,965</u>	<u>7,470</u>
	<u>69,721</u>	<u>52,958</u>
	<u>\$ 5,228,964</u>	<u>\$ 4,874,333</u>

SUMMARY

Salaries and wages	\$ 3,507,609	\$ 3,274,467
Employee benefits	454,054	421,478
Professional fees	610,510	549,098
Other expense	<u>656,791</u>	<u>629,290</u>
	<u>\$ 5,228,964</u>	<u>\$ 4,874,333</u>

See Independent Auditor's Report.

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

	<u>2007</u>	<u>2006</u>
Anesthesiology:		
Professional fees	\$ 342,550	\$ 307,348
Supplies and other expense	<u>35,277</u>	<u>25,815</u>
	377,827	333,163
Laboratory:		
Salaries and wages	321,689	314,927
Employee benefits	42,154	39,957
Professional fees	103,019	127,299
Supplies and other expense	<u>302,425</u>	<u>269,744</u>
	769,287	751,927
Radiology:		
Salaries and wages	338,593	306,004
Employee benefits	44,220	39,651
Supplies and other expense	<u>113,014</u>	<u>147,107</u>
	495,827	492,762
Nuclear Medicine:		
Purchased services	312,207	313,497
Supplies and other expense	<u>40,852</u>	<u>65,277</u>
	353,059	378,774
Pharmacy:		
Salaries and wages	154,554	151,753
Employee benefits	19,913	18,793
Professional fees	20,195	10,001
Drugs	246,384	248,663
Supplies and other expense	<u>25,569</u>	<u>30,167</u>
	466,615	459,377
Electrocardiology:		
Salaries and wages	11,125	10,376
Employee benefits	1,491	1,344
Professional fees	8,280	9,564
Supplies and other expense	<u>--</u>	<u>210</u>
	20,896	21,494
Physical Therapy:		
Salaries and wages	222,575	231,849
Employee benefits	29,057	29,063
Professional fees	5,163	6,693
Supplies and other expense	<u>13,117</u>	<u>24,069</u>
	269,912	291,674

(continued next page)

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

	<u>2007</u>	<u>2006</u>
Inhalation Therapy:		
Salaries and wages	\$ 117,635	\$ 119,553
Employee benefits	15,343	15,248
Oxygen	23,901	22,638
Supplies and other expense	<u>124,892</u>	<u>137,726</u>
	281,771	295,165
Speech Therapy:		
Professional fees	12,346	12,996
Supplies and other expense	<u>--</u>	<u>126</u>
	12,346	13,122
Occupational Therapy:		
Salaries and wages	40,990	37,783
Employee benefits	5,339	4,961
Professional fees	--	4,879
Supplies and other expense	<u>858</u>	<u>1,071</u>
	47,187	48,694
Rural Health Clinic:		
Salaries and wages	431,179	421,261
Employee benefits	53,186	51,211
Supplies and other expense	<u>258,275</u>	<u>242,637</u>
	742,640	715,109
Public Health:		
Salaries and wages	814,278	781,187
Employee benefits	104,488	99,007
Professional fees	750	750
Supplies and other expense	<u>95,886</u>	<u>111,875</u>
	1,015,402	992,819
Social Services:		
Salaries and wages	--	30,754
Employee benefits	--	5,151
Supplies and other expense	<u>--</u>	<u>505</u>
	--	36,410

(continued next page)

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

	<u>2007</u>	<u>2006</u>
Medical Records:		
Salaries and wages	\$ 250,140	\$ 230,462
Employee benefits	32,024	29,678
Supplies and other expense	<u>39,703</u>	<u>29,918</u>
	321,867	290,058
Diabetic Education:		
Salaries and wages	109,010	107,864
Employee benefits	13,441	13,245
Supplies and other expense	<u>4,201</u>	<u>5,227</u>
	<u>126,652</u>	<u>126,336</u>
	<u>\$ 5,301,288</u>	<u>\$ 5,246,884</u>

SUMMARY

Salaries and wages	\$ 2,811,768	\$ 2,743,773
Employee benefits	360,656	347,309
Professional fees	492,303	479,530
Other expense	<u>1,636,561</u>	<u>1,676,272</u>
	<u>\$ 5,301,288</u>	<u>\$ 5,246,884</u>

See Independent Auditor's Report.

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

	2007	2006
Dietary:		
Salaries and wages	\$ 498,474	\$ 479,466
Employee benefits	62,736	61,371
Food	333,579	301,075
Supplies and other expense	65,943	56,593
	960,732	898,505
Housekeeping:		
Salaries and wages	223,426	211,309
Employee benefits	29,735	28,046
Supplies and other expense	89,447	85,687
	342,608	325,042
Laundry and Linen:		
Salaries and wages	119,229	127,012
Employee benefits	14,784	16,318
Supplies and other expense	13,817	7,298
	147,830	150,628
Operation of Plant:		
Salaries and wages	244,074	224,267
Employee benefits	31,284	29,213
Utilities	460,090	491,175
Supplies and other expense	57,551	73,599
Purchased services	111,657	100,115
	904,656	918,369
	\$ 2,355,826	\$ 2,292,544

SUMMARY

Salaries and wages	\$ 1,085,203	\$ 1,042,054
Employee benefits	138,539	134,948
Other expense	1,132,084	1,115,542
	\$ 2,355,826	\$ 2,292,544

See Independent Auditor's Report.

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

	<u>2007</u>	<u>2006</u>
Fiscal:		
Salaries and wages	\$ 571,535	\$ 528,730
Employee benefits	72,311	65,646
Professional fees	1,642	7,554
Collection fees	46,835	21,811
Supplies and other expense	<u>56,298</u>	<u>55,545</u>
	748,621	679,286
Personnel:		
Salaries and wages	85,266	90,461
Employee benefits	11,191	10,956
Supplies and other expense	<u>21,224</u>	<u>20,326</u>
	117,681	121,743
Administrative:		
Salaries and wages	170,887	169,195
Employee benefits	37,792	35,906
Professional fees	154,970	134,321
Dues	33,940	26,766
Telephone	45,562	49,565
Supplies and other expense	<u>58,955</u>	<u>64,316</u>
	502,106	480,069
Information Systems:		
Salaries and wages	52,198	63,093
Employee benefits	6,871	8,174
Supplies and other expense	<u>218,223</u>	<u>190,500</u>
	277,292	261,767
Medical Care Evaluation:		
Salaries and wages	40,617	56,997
Employee benefits	6,271	7,134
Professional fees	5,276	--
Supplies and other expense	<u>1,824</u>	<u>3,545</u>
	53,988	67,676
Marketing:		
Salaries and wages	47,555	42,651
Employee benefits	5,948	4,915
Supplies and other expense	<u>36,906</u>	<u>38,175</u>
	90,409	85,741

(continued next page)

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

	<u>2007</u>	<u>2006</u>
Insurance:		
Insurance and bonding	\$ 135,281	\$ 124,352
Medical Staff:		
Professional fees	40,000	40,000
Supplies and other expense	<u>43,258</u>	<u>52,863</u>
	83,258	92,863
Employee Welfare:		
Employee insurance	834,042	903,348
Workers' compensation insurance	96,903	117,328
Other employee benefits	22,276	32,239
Life insurance	<u>15,777</u>	<u>636</u>
	<u>968,998</u>	<u>1,053,551</u>
	<u>\$ 2,977,634</u>	<u>\$ 2,967,048</u>

SUMMARY

Salaries and wages	\$ 968,058	\$ 951,127
Employee benefits	1,109,382	1,186,282
Professional fees	201,888	181,875
Other expense	<u>698,306</u>	<u>647,764</u>
	<u>\$ 2,977,634</u>	<u>\$ 2,967,048</u>

SUMMARY OF EXPENSES

Salaries and wages	\$ 8,372,638	\$ 8,011,421
Employee benefits	2,062,631	2,090,017
Professional fees	1,304,701	1,210,503
Other expense	<u>4,123,742</u>	<u>4,068,868</u>
	<u>\$ 15,863,712</u>	<u>\$ 15,380,809</u>

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Acute Care:					
Admissions	461	543	547	486	498
Discharges	459	544	554	485	499
Patient Days	1,594	1,719	1,927	1,498	1,427
Average Length of Stay	3.47	3.16	3.48	3.09	2.86
Average Occupied Beds	4.4	4.7	5.3	4.1	3.9
Swing Bed:					
Admissions	139	159	175	190	224
Discharges	145	162	175	183	214
SNF Days	1,637	1,562	1,987	1,735	2,334
ICF Days	141	182	207	263	348
Combined Average Occupied Beds	9.2	9.5	11.3	9.6	11.3
Nursery Days	130	160	170	132	177
Long-Term Care Patient Days	23,482	22,274	23,401	22,601	24,230
Outpatient Occasions of Service	24,576	25,623	24,741	24,413	24,110

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Balance Sheets
June 30,

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 890,376	\$ 529,968
Receivables	4,453,217	4,003,036
Inventory	233,186	239,333
Prepaid expense	298,264	206,965
Succeeding year property tax receivable	873,000	782,000
Internally designated assets	<u>49,750</u>	<u>44,984</u>
Total current assets	6,797,793	5,806,286
 Other Assets:		
Internally designated and restricted assets, net	4,854,469	5,614,968
Capital assets, net	9,110,411	9,026,808
Notes receivable	<u>53,160</u>	<u>30,000</u>
Total other assets	<u>14,018,040</u>	<u>14,671,776</u>
	<u>\$ 20,815,833</u>	<u>\$ 20,478,062</u>
 Current Liabilities:		
Accounts payable	\$ 271,176	\$ 336,642
Accrued expenses	1,011,285	995,096
Deferred grant revenue	7,604	7,604
Estimated third-party payor settlements	547,000	315,000
Deferred revenue for succeeding year property tax receivable	<u>873,000</u>	<u>782,000</u>
Total current liabilities	2,710,065	2,436,342
 Net Assets	<u>18,105,768</u>	<u>18,041,720</u>
 Total liabilities and net assets	<u>\$ 20,815,833</u>	<u>\$ 20,478,062</u>

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,564,250	\$ 1,451,036	\$ 860,693
3,641,077	2,607,983	2,637,392
197,160	195,673	190,793
95,137	181,744	160,805
681,000	670,000	672,000
184,386	211,087	30,300
<u>6,363,010</u>	<u>5,317,523</u>	<u>4,551,983</u>
5,523,908	5,629,522	6,328,452
9,187,183	7,293,663	6,747,611
120,000	151,000	64,500
<u>14,831,091</u>	<u>13,074,185</u>	<u>13,140,563</u>
<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>
\$ 360,207	\$ 511,801	\$ 223,939
1,281,420	1,057,449	948,896
7,604	11,193	11,193
1,097,000	461,000	472,000
681,000	670,000	672,000
<u>3,427,231</u>	<u>2,711,443</u>	<u>2,328,028</u>
<u>17,766,870</u>	<u>15,680,265</u>	<u>15,364,518</u>
<u>\$ 21,194,101</u>	<u>\$ 18,391,708</u>	<u>\$ 17,692,546</u>

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

	<u>2007</u>	<u>2006</u>
Patient Service Revenue	\$ 18,939,543	\$ 17,605,984
Adjustments to Patient Service Revenue	<u>(3,589,588)</u>	<u>(2,709,604)</u>
Net Patient Service Revenue	15,349,955	14,896,380
Other Revenue	<u>420,027</u>	<u>440,584</u>
Total Revenue	15,769,982	15,336,964
Expenses	<u>16,831,990</u>	<u>16,365,862</u>
Operating Loss	(1,062,008)	(1,028,898)
Non-Operating Revenue, Net	<u>1,382,281</u>	<u>1,251,946</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	320,273	223,048
Capital Grants and Contributions	78,060	74,302
Medical Occupation Scholarship Distributions	(22,500)	(22,500)
Unusual Item	<u>(311,785)</u>	<u>--</u>
Increase in Net Assets	<u>\$ 64,048</u>	<u>\$ 274,850</u>

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 16,270,199	\$ 13,962,811	\$ 13,319,220
<u>(2,238,200)</u>	<u>(1,643,735)</u>	<u>(1,334,031)</u>
14,031,999	12,319,076	11,985,189
<u>334,149</u>	<u>475,542</u>	<u>498,305</u>
14,366,148	12,794,618	12,483,494
<u>15,179,689</u>	<u>13,702,555</u>	<u>12,900,106</u>
(813,541)	(907,937)	(416,612)
<u>1,149,932</u>	<u>1,112,261</u>	<u>1,127,768</u>
336,391	204,324	711,156
1,767,714	130,173	101,767
(17,500)	(18,750)	(16,250)
<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 2,086,605</u>	<u>\$ 315,747</u>	<u>\$ 796,673</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, 2007, and have issued our report thereon dated December 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Greene County Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood a misstatement of the Hospital's financial statements, that is more than inconsequential, will not be prevented or detected by the Hospital's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

To the Board of Trustees
Greene County Medical Center

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Hospital's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2007 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.

Greene County Medical Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Greene County Medical Center and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Shonewald, Bell, Kuylen + Co. P.C.

Atlantic, Iowa
December 7, 2007

GREENE COUNTY MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2007

PART I - SIGNIFICANT DEFICIENCIES

07-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

07-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2007 did not exceed amounts budgeted.

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

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

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

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

07-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.

* * *