

**Greater Regional Medical Center
Creston, Iowa**

FINANCIAL REPORT

June 30, 2007

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**Greater Regional Medical Center
OFFICIALS
June 30, 2007**

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Expiration of term

December 31, 2012
December 31, 2012
December 31, 2008
December 31, 2010

December 31, 2012
December 31, 2010
December 31, 2008

CHIEF EXECUTIVE OFFICER

Monte Neitzel

CHIEF FINANCIAL OFFICER

Dave Brokaw

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

We have audited the accompanying balance sheets of Greater Regional Medical Center as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Regional Medical Center as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007 on our consideration of Greater Regional 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.

Management's discussion and analysis on pages 5-10 is not a required part of the basic financial statements but is 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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 30, 2007

Greater Regional Medical Center MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Greater Regional Medical Center, we offer readers of the financial statements this narrative overview and analysis of the Medical Center's financial performance during the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the Medical Center's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis, the independent auditor's reports, the basic financial statements of the Medical Center, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Medical Center report information of the Medical Center using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources, assets, and the obligations to Medical Center's creditors, liabilities. It also provides the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in fund equity. This statement measures the success of the Medical Center operations over the past year and can be used to determine whether the Medical Center has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

- Total assets increased by \$2,049,941 or 6% to \$37,604,689
- Total noncurrent assets whose use is limited decreased by \$403,774 to \$8,723,455
- Total property and equipment increased by \$1,347,837 to \$18,600,309
- Total fund equity increased by \$2,060,375 to \$26,226,055
- Total long-term debt increased by \$296,055 to \$7,897,019
- Net patient service revenue increased by \$2,603,001, or 12% primarily due to significant increase in ancillary revenues in 2007
- Expenses increased by \$3,235,260, or 15% to \$24,802,873

Financial Analysis of the Medical Center

The balance sheets and the statements of revenues, expenses, and changes in fund equity report the fund equity of the Medical Center and the changes in them. The Medical Center's fund equity, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's fund equity are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

A summary of the Medical Center's balance sheets is presented in Table 1.

Table 1
Condensed Balance Sheets

	June 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 9,069,409	\$ 7,954,401	\$ 7,774,945
Noncurrent assets whose use is limited	8,723,455	9,127,229	6,149,516
Property and equipment	18,600,309	17,252,472	17,881,034
Other assets	<u>1,211,516</u>	<u>1,220,646</u>	<u>1,229,776</u>
Total assets	<u>\$37,604,689</u>	<u>\$35,554,748</u>	<u>\$33,035,271</u>
Current liabilities	\$ 2,991,223	\$ 3,189,582	\$ 2,592,995
Long-term debt, less current maturities	7,317,411	7,129,486	7,600,964
Other noncurrent liabilities	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,070,000</u>
Total liabilities	<u>\$11,378,634</u>	<u>\$11,389,068</u>	<u>\$11,263,959</u>
Invested in capital assets, net of related debt	\$10,703,290	\$ 9,651,508	\$ 9,740,350
Restricted	733,708	707,226	692,143
Unrestricted	<u>14,789,057</u>	<u>13,806,946</u>	<u>11,338,819</u>
Total fund equity	<u>\$26,226,055</u>	<u>\$24,165,680</u>	<u>\$21,771,312</u>

As depicted in Table 1, total assets increased in fiscal year 2007 to \$37,604,689. The change in total assets results primarily from an increase in property and equipment due to initial costs incurred toward the Medical Center's significant construction project through June 30, 2007.

A summary of the Medical Center's historical statements of revenues, expenses, and changes in fund equity is presented in Table 2.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Fund Equity

	Year ended June 30		
	2007	2006	2005
Net patient service revenue	\$23,898,951	\$21,295,950	\$18,932,144
Other revenue	<u>1,690,503</u>	<u>1,585,780</u>	<u>1,457,472</u>
Total revenue	<u>25,589,454</u>	<u>22,881,730</u>	<u>20,389,616</u>
Salaries	9,881,859	8,622,064	8,146,142
Supplies and expenses	13,132,871	11,205,427	10,245,041
Provision for depreciation	<u>1,788,143</u>	<u>1,740,122</u>	<u>1,676,195</u>
Total expenses	<u>24,802,873</u>	<u>21,567,613</u>	<u>20,067,378</u>
Operating income	<u>786,581</u>	<u>1,314,117</u>	<u>322,238</u>
County taxes	1,153,985	1,150,500	1,147,284
Investment income	491,644	288,800	158,984
Unrestricted contributions	3,500	3,000	13,500
Interest expense	<u>(375,335)</u>	<u>(362,049)</u>	<u>(379,320)</u>
Total nonoperating gains (losses)	<u>1,273,794</u>	<u>1,080,251</u>	<u>940,448</u>
Change in fund equity	2,060,375	2,394,368	1,262,686
Total fund equity, beginning	<u>24,165,680</u>	<u>21,771,312</u>	<u>20,508,626</u>
Total fund equity, ending	<u>\$26,226,055</u>	<u>\$24,165,680</u>	<u>\$21,771,312</u>

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in fund equity between June 30, 2007 and 2006.

Net Patient Service Revenue: Net patient service revenue is a product of volume, price increases and payor mix.

Volume: Medical, surgical and obstetrical discharges for fiscal year 2007 were 1,255 compared to 1,183 in fiscal year 2006. Average length of stay increased slightly and patient days increased to 3,888 from 3,590 in 2006. Volume on the outpatient side increased in 2007. In 2007, gross outpatient charges increased to \$25,390,224 compared to \$22,472,671 in 2006.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2007. Overall, gross patient service revenue increased to \$36,203,603 from \$32,562,273 in 2006. Operating room, emergency room, laboratory and blood service, CT scans, pharmacy and intravenous therapy, and anesthesiology reflected the most significant growth in 2007.

Payor Mix: The Medical Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts increased to \$12,304,652 in 2007 from \$11,266,323 in 2006. This represents 34% of gross patient charges.

A summary of the percentages of gross charges for patient services by payor is presented in Table 3.

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	45%	49%	51%
Medicaid	8	8	8
Commercial insurance	41	38	35
Patients	<u>6</u>	<u>5</u>	<u>6</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$1,690,503 in 2007 compared to \$1,585,780 in 2006, primarily due to rental income derived from Crestridge Estates and miscellaneous income.

Expenses

Approximately 40% of the Medical Center's expenses are for salaries. Total salaries increased to \$9,881,859 in 2007 from \$8,622,064 in 2006. The Medical Center departments experiencing the most significant increase in 2007 included operating and recovery rooms, and pharmacy.

Approximately 50% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 17% to \$13,132,871 in 2007 from \$11,205,427 in 2006. The Medical Center departments experiencing the most significant increases in 2007 included operating and recovery rooms, pharmacy and group health and life insurance.

Approximately 10% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$1,788,143 in 2007 from \$1,740,122 in 2006.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$1,273,794 from \$1,080,251 in 2006, primarily due to an increase in investment income.

Property and Equipment

At the end of 2007, the Medical Center had \$18,600,309 invested in property and equipment, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in property and equipment. In 2007, \$3,171,749 was spent to acquire new equipment and toward the Medical Center's construction project.

A summary of the Medical Center's property and equipment is presented in Table 4.

**Table 4
Property and Equipment**

	June 30		
	2007	2006	2005
Land	\$ 149,491	\$ 185,260	\$ 185,260
Land improvements	2,130,660	1,899,903	1,899,903
Building and improvements	6,575,205	6,086,997	6,086,997
Fixed equipment	5,178,532	4,991,375	4,886,075
Major movable equipment	9,645,608	9,044,142	8,640,014
Buildings leased to others	7,246,108	7,246,108	7,246,108
Crestridge Estates	3,363,382	3,363,382	3,363,382
Construction in progress	1,608,705	513,984	—
Subtotal	<u>35,897,691</u>	<u>33,331,151</u>	<u>32,307,739</u>
Less accumulated depreciation	<u>(17,297,382)</u>	<u>(16,078,679)</u>	<u>(14,426,705)</u>
Property and equipment	<u>\$18,600,309</u>	<u>\$17,252,472</u>	<u>\$17,881,034</u>

Debt Administration

At year end, the Medical Center had \$6,415,000 in current and long-term debt related to Hospital Revenue Bonds, Series 2002. This has decreased by \$295,000 in fiscal year 2007, which was the required amount of principal payment on the outstanding Bonds for fiscal year 2007. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 60% of the Medical Center's total liabilities as of year end.

At year end, the Medical Center had \$1,482,019 in current and long-term notes payable, an increase of \$591,055 from 2006. This increase is the result of issuance of a note payable, equipment in 2007, offset by the required payments made on the outstanding notes for fiscal year 2007. More detailed information about the Medical Center's notes payable are presented in the Notes to Financial Statements. Note that total notes payable represent approximately 15% of the Medical Center's total liabilities at year end.

Performance Compared to County Hospital Budget

The Medical Center prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Medical Center budget and GAAP basis are presented in the Notes to Financial Statements. A comparison of the Medical Center's fiscal year 2007 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5
Actual vs County Hospital Budget**

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 1,153,985	\$ 1,070,304	\$ 83,681
Other revenues/receipts	<u>26,926,923</u>	<u>29,138,951</u>	<u>(2,212,028)</u>
	28,080,908	30,209,255	(2,128,347)
Expenses/expenditures	<u>27,108,084</u>	<u>32,526,038</u>	<u>(5,417,954)</u>
Net	<u>\$ 972,824</u>	<u>\$ (2,316,783)</u>	<u>\$3,289,607</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less proceeds from issuance of long-term debt. Expenses/expenditures were lower than County Hospital budget primarily due to less

acquisition of property and equipment.

Economic and Other Factors and Next Year's Budget

The Medical Center's board and management considered many factors when setting the fiscal year 2008 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors
- Cost of supplies
- Facility expansion and growth in demand for services
- Technology advancements

Contacting Greater Regional Medical Center's Management

This financial report is designed to provide users with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability. If you have questions about this report or need additional information, contact Greater Regional Medical Center at (641) 782-7091 or write care of: Chief Financial Officer, Greater Regional Medical Center, 1700 West Townline, Creston, Iowa 50801.

**Greater Regional Medical Center
BALANCE SHEETS**

ASSETS	June 30	
	2007	2006
CURRENT ASSETS		
Cash	\$ 2,654,180	\$ 2,729,627
Assets whose use is limited, required for current liabilities	330,877	321,836
Certificates of deposit	1,214,753	687,831
Patient receivables, less allowances for contractual adjustments and bad debts	3,656,714	3,190,131
Other receivables	155,541	30,334
Estimated third-party payor settlements	-	240,000
Inventories	625,087	552,451
Prepaid expenses	<u>432,257</u>	<u>202,191</u>
Total current assets	<u>9,069,409</u>	<u>7,954,401</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	1,396,308	2,072,771
Certificates of deposit	5,059,881	4,856,145
U.S. Government Agency securities	1,830,000	1,785,000
Interest receivable	<u>34,435</u>	<u>27,923</u>
	8,320,624	8,741,839
Restricted for payment of long-term debt and interest		
Cash, debt service reserve fund	<u>733,708</u>	<u>707,226</u>
Total assets whose use is limited	9,054,332	9,449,065
Less assets whose use is limited and that are required for current liabilities	<u>330,877</u>	<u>321,836</u>
Noncurrent assets whose use is limited	<u>8,723,455</u>	<u>9,127,229</u>
PROPERTY AND EQUIPMENT	35,897,691	33,331,151
Less accumulated depreciation	<u>17,297,382</u>	<u>16,078,679</u>
Total property and equipment	<u>18,600,309</u>	<u>17,252,472</u>
OTHER ASSETS		
Unamortized financing costs	141,516	150,646
Succeeding year property tax receivable	<u>1,070,000</u>	<u>1,070,000</u>
Total other assets	<u>1,211,516</u>	<u>1,220,646</u>
 Totals	 <u>\$37,604,689</u>	 <u>\$35,554,748</u>

See Notes to Financial Statements.

	June 30	
	<u>2007</u>	<u>2006</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 579,608	\$ 471,478
Accounts payable		
Trade	638,300	580,016
Construction	353,250	242,068
Accrued employee compensation	883,917	743,443
Payroll taxes and amounts withheld from employees	210,271	205,741
Accrued interest	25,877	26,836
Estimated third-party payor settlements	300,000	920,000
	<u>2,991,223</u>	<u>3,189,582</u>
LONG-TERM DEBT , less current maturities	<u>7,317,411</u>	<u>7,129,486</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	<u>1,070,000</u>	<u>1,070,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	10,703,290	9,651,508
Restricted	733,708	707,226
Unrestricted	<u>14,789,057</u>	<u>13,806,946</u>
Total fund equity	<u>26,226,055</u>	<u>24,165,680</u>
Totals	<u>\$37,604,689</u>	<u>\$35,554,748</u>

Greater Regional Medical Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

	Year ended June 30	
	2007	2006
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2007 \$886,625; 2006 \$1,017,266	\$23,898,951	\$21,295,950
OTHER REVENUE	<u>1,690,503</u>	<u>1,585,780</u>
Total revenue	<u>25,589,454</u>	<u>22,881,730</u>
EXPENSES		
Nursing service	6,930,309	6,119,468
Other professional service	6,965,233	5,920,068
General service	2,016,372	1,925,650
Fiscal and administrative service and unassigned expenses	7,102,816	5,862,305
Provision for depreciation	<u>1,788,143</u>	<u>1,740,122</u>
Total expenses	<u>24,802,873</u>	<u>21,567,613</u>
Operating income	<u>786,581</u>	<u>1,314,117</u>
NONOPERATING GAINS (LOSSES)		
County taxes	1,153,985	1,150,500
Investment income	491,644	288,800
Unrestricted contributions	3,500	3,000
Interest expense	<u>(375,335)</u>	<u>(362,049)</u>
Total nonoperating gains (losses)	<u>1,273,794</u>	<u>1,080,251</u>
Change in fund equity	2,060,375	2,394,368
TOTAL FUND EQUITY		
Beginning	<u>24,165,680</u>	<u>21,771,312</u>
Ending	<u>\$26,226,055</u>	<u>\$24,165,680</u>

**Greater Regional 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	\$23,052,368	\$21,327,997
Cash paid to suppliers for goods and services	(13,497,966)	(11,274,223)
Cash paid to employees for services	(9,741,385)	(8,541,021)
Other operating revenue received	<u>1,690,503</u>	<u>1,585,780</u>
Net cash provided by operating activities	<u>1,503,520</u>	<u>3,098,533</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	1,153,985	1,150,500
Contributions received	<u>3,500</u>	<u>3,000</u>
Net cash provided by noncapital financing activities	<u>1,157,485</u>	<u>1,153,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(3,024,798)	(869,492)
Proceeds from issuance of long-term debt	842,325	-
Principal payments on long-term debt	(546,270)	(539,720)
Interest paid on long-term debt	<u>(367,164)</u>	<u>(353,786)</u>
Net cash (used in) capital and related financing activities	<u>(3,095,907)</u>	<u>(1,762,998)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	485,132	278,161
Purchase of investments	(3,202,171)	(3,574,041)
Proceeds from maturities of investments	<u>2,426,513</u>	<u>756,831</u>
Net cash (used in) investing activities	<u>(290,526)</u>	<u>(2,539,049)</u>
NET (DECREASE) IN CASH	(725,428)	(50,014)
CASH		
Beginning	<u>5,509,624</u>	<u>5,559,638</u>
Ending	<u>\$ 4,784,196</u>	<u>\$ 5,509,624</u>

See Notes to Financial Statements.

**Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 786,581	\$ 1,314,117
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,788,143	1,740,122
Changes in assets and liabilities		
(Increase) in patient receivables	(466,583)	(627,953)
(Increase) decrease in other receivables	(125,207)	17,576
(Increase) decrease in net estimated third-party payor settlements	(380,000)	660,000
(Increase) in inventories	(72,636)	(74,364)
(Increase) decrease in prepaid expenses	(230,066)	55,407
Increase (decrease) in accounts payable, trade	58,284	(177,498)
Increase in accrued employee compensation	140,474	81,043
Increase in payroll taxes and amounts withheld from employees	<u>4,530</u>	<u>110,083</u>
Net cash provided by operating activities	<u>\$1,503,520</u>	<u>\$3,098,533</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	\$2,654,180	\$2,729,627
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	1,396,308	2,072,771
Restricted for payment of long-term debt and interest, cash	<u>733,708</u>	<u>707,226</u>
Total per statement of cash flows	<u>\$4,784,196</u>	<u>\$5,509,624</u>

See Notes to Financial Statements.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Medical Center is a county public Medical Center organized under Chapter 347, Code of Iowa, not subject to taxes on income or property, and receives tax support from Union County, Iowa. The Medical Center is governed by a seven member Board of Trustees elected for terms of six years.

Reporting Entity

For financial reporting purposes, Greater Regional Medical Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Medical Center has also 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 Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Medical Center. These criteria also include organizations that are fiscally dependent on the Medical Center. The Medical Center has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Medical Center is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Medical Center is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Medical Center uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

Pursuant to Governmental Accounting Standards Board, GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Medical Center has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board, FASB issued on or before November 30, 1989.

Investments and Investment Income

The Medical Center's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
Debt securities U.S. Government Agency securities Maturity of one year or less when purchased Maturity of more than one year when purchased	Amortized cost Fair value based on quoted market prices

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income (continued)

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income is reported as nonoperating gains, and includes interest income and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Medical Center is four to forty years.

Unamortized Financing Costs

Unamortized financing costs are amortized over the life of the issue, using the straight-line method.

Property Tax Receivable

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 the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the 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.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

Fund equity is presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the bonds and notes payable that are attributable to the acquisition, construction, or improvement of those assets.

Restricted fund equity

Restricted fund equity consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments.

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Net Patient Service Revenue

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.

Revenues, Expenses and Changes in Fund Equity

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Credit Policy

The Medical Center grants credit to patients, substantially all of whom are residents of the County.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH AND INVESTMENTS

The Medical Center's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Medical Center 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 Medical Center's investments, consisting of U.S. Government Agency securities, at June 30, 2007 are as follows:

<u>Maturity</u>	<u>Fair value</u>
August, 2007	\$ 320,000
September, 2007	415,000
October, 2007	225,000
November, 2007	30,000
January, 2008	135,000
April, 2008	325,000
September, 2008	140,000
December, 2008	<u>240,000</u>
 Total	 <u>\$1,830,000</u>

As to interest rate risk, the Medical Center's investment policy limits the investment of operating funds 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 Medical Center.

NOTE 3 PATIENT RECEIVABLES

Patient receivables reported as current assets consisted of amounts from certain payors as follows:

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Medicare	\$1,538,525	\$1,876,141
Medicaid	486,083	431,074
Commercial insurance	2,262,271	1,667,222
Patients	<u>1,369,835</u>	<u>1,065,694</u>
Total patient receivables	5,656,714	5,040,131
Less allowances for contractual adjustments and bad debts	<u>(2,000,000)</u>	<u>(1,850,000)</u>
 Net patient receivables	 <u>\$3,656,714</u>	 <u>\$3,190,131</u>

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Medical Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediary. The Medical Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2004.

Other

The Medical Center has payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment and related accumulated depreciation follows:

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 149,491	\$ -	\$ 185,260	\$ -
Land improvements	2,130,660	984,644	1,899,903	888,347
Building and improvements	6,575,205	2,535,835	6,086,997	2,324,384
Fixed equipment	5,178,532	3,960,555	4,991,375	3,753,972
Major movable equipment	9,645,608	7,083,684	9,044,142	6,908,421
Buildings leased to others	7,246,108	2,099,719	7,246,108	1,748,768
Crestridge Estates	3,363,382	632,945	3,363,382	454,787
Construction in progress	<u>1,608,705</u>	<u>-</u>	<u>513,984</u>	<u>-</u>
Totals	<u>\$35,897,691</u>	<u>\$17,297,382</u>	<u>\$33,331,151</u>	<u>\$16,078,679</u>

Construction in progress at June 30, 2007 consists primarily of progress billings for construction costs related to the Medical Center's construction project. This project includes renovation and addition to the Medical Center and primarily relates to the Emergency Room and Cancer Center. The estimated total cost of the project is approximately \$14 million, including equipment, and is to be primarily funded from the Medical Center's assets whose use is limited, designated by board for plant replacement and expansion. At June 30, 2007 the Medical Center has \$353,250 accrued as accounts payable-construction.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2007 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 185,260	\$ —	\$ 35,769	\$ 149,491
Land improvements	1,899,903	230,757	—	2,130,660
Building and improvements	6,086,997	488,208	—	6,575,205
Fixed equipment	4,991,375	187,157	—	5,178,532
Major movable equipment	9,044,142	1,170,906	569,440	9,645,608
Buildings leased to others	7,246,108	—	—	7,246,108
Crestridge Estates	3,363,382	—	—	3,363,382
Construction in progress	513,984	1,094,721	—	1,608,705
Totals	33,331,151	3,171,749	605,209	35,897,691
Less accumulated depreciation	<u>(16,078,679)</u>	<u>(1,788,143)</u>	<u>(569,440)</u>	<u>(17,297,382)</u>
Net property and equipment	<u>\$17,252,472</u>	<u>\$1,383,606</u>	<u>\$ 35,769</u>	<u>\$18,600,309</u>

A summary of changes in property and equipment for the year ended June 30, 2006 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 185,260	\$ —	\$ —	\$ 185,260
Land improvements	1,899,903	—	—	1,899,903
Building and improvements	6,086,997	—	—	6,086,997
Fixed equipment	4,886,075	105,300	—	4,991,375
Major movable equipment	8,640,014	492,276	88,148	9,044,142
Buildings leased to others	7,246,108	—	—	7,246,108
Crestridge Estates	3,363,382	—	—	3,363,382
Construction in progress	—	513,984	—	513,984
Totals	32,307,739	1,111,560	88,148	33,331,151
Less accumulated depreciation	<u>(14,426,705)</u>	<u>(1,740,122)</u>	<u>(88,148)</u>	<u>(16,078,679)</u>
Net property and equipment	<u>\$17,881,034</u>	<u>\$ (628,562)</u>	<u>\$ —</u>	<u>\$17,252,472</u>

NOTE 6 BUILDINGS LEASED TO OTHERS

The Medical Center, through various agreements, leases an attached medical office building and spaces within the Medical Arts Plaza located adjacent to the Medical Center. The leases, which are for various terms, each call for base rents per tenant, subject to certain modifications during the lease period. Other revenue for the years ended June 30, 2007 and 2006 included \$546,661 and \$538,643, respectively, of aggregate rental income under the lease agreements.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Hospital Revenue Bonds, Series 2002	\$6,415,000	\$6,710,000
Notes payable, equipment	1,055,084	446,577
Note payable, real estate	<u>426,935</u>	<u>444,387</u>
Total	7,897,019	7,600,964
Less current maturities	<u>579,608</u>	<u>471,478</u>
Long-term debt, net of current maturities	<u>\$7,317,411</u>	<u>\$7,129,486</u>

Hospital Revenue Bonds, Series 2002

The Medical Center has issued Hospital Revenue Bonds, Series 2002 in the original amount of \$7,800,000. The Bonds are payable solely from future revenues of the Medical Center and are due serially each June 1 through 2022, at remaining interest rates ranging from 4.05% to 5.4%. At June 30, 2007, the remaining balance on these Bonds is \$6,415,000. In addition, the Bonds require a Debt Service Reserve Fund be maintained at a minimum level of \$620,000. The Bonds contain a number of covenants regarding the operation of the Medical Center, and the Medical Center is in substantial compliance with those covenants.

Notes Payable, Equipment

The Medical Center has a note agreement to finance the purchase of certain equipment. The note requires monthly payments of \$3,223, including interest at .72% with the final payment due May, 2009. The note is collateralized by the equipment purchased by the Medical Center. At June 30, 2007, the remaining balance on this note is \$73,600.

The Medical Center has a second note agreement to finance the purchase of certain equipment. The note requires monthly payments of \$6,772, including interest at .93% with the final payment due February, 2010. The note is collateralized by the equipment purchased by the Medical Center. At June 30, 2007, the remaining balance on this note is \$213,952.

The Medical Center has a third note agreement to finance the purchase of certain equipment. The note requires monthly payments of \$15,688, including interest at 4.46% with the final payment due December, 2011. The note is collateralized by the equipment purchased by the Medical Center. At June 30, 2007, the remaining balance on this note is \$767,532.

Note Payable, Real Estate

The Medical Center has a note agreement to finance the purchase of real estate. The note requires annual payments of \$41,238, including interest at 5.4%, with the final payment due in June, 2022. The note is collateralized by the real estate purchased by the Medical Center. At June 30, 2007, the remaining balance on this note is \$426,935.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG-TERM DEBT (continued)

Maturities required on long-term debt are as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds</u>	<u>Notes payable, equipment</u>	<u>Note payable, real estate</u>	<u>Total principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 305,000	\$ 256,126	\$ 18,482	\$ 579,608	\$ 366,029	\$ 945,637
2009	320,000	280,112	19,572	619,684	344,405	964,089
2010	335,000	225,905	20,727	581,632	321,475	903,107
2011	350,000	179,172	21,950	551,122	297,664	848,786
2012	365,000	113,769	23,245	502,014	273,490	775,504
2013 to 2017	2,085,000	-	138,489	2,223,489	1,068,704	3,292,193
2018 to 2022	<u>2,655,000</u>	<u>-</u>	<u>184,470</u>	<u>2,839,470</u>	<u>455,533</u>	<u>3,295,003</u>
Totals	6,415,000	1,055,084	426,935	7,897,019	3,127,300	11,024,319
Less current maturities	<u>305,000</u>	<u>256,126</u>	<u>18,482</u>	<u>579,608</u>	<u>366,029</u>	<u>945,637</u>
Total long-term debt	<u>\$6,110,000</u>	<u>\$ 798,958</u>	<u>\$ 408,453</u>	<u>\$7,317,411</u>	<u>\$2,761,271</u>	<u>\$10,078,682</u>

A summary of changes in long-term debt for the year ended June 30, 2007 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Bonds, Series 2002	\$6,710,000	\$ -	\$ 295,000	\$6,415,000	\$ 305,000
Notes payable, equipment	446,577	842,325	233,818	1,055,084	256,126
Note payable, real estate	<u>444,387</u>	<u>-</u>	<u>17,452</u>	<u>426,935</u>	<u>18,482</u>
Totals	<u>\$7,600,964</u>	<u>\$ 842,325</u>	<u>\$ 546,270</u>	<u>\$7,897,019</u>	<u>\$ 579,608</u>

A summary of changes in long-term debt for the year ended June 30, 2006 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Bonds, Series 2002	\$6,995,000	\$ -	\$ 285,000	\$6,710,000	\$ 295,000
Notes payable, equipment	684,817	-	238,240	446,577	159,026
Note payable, real estate	<u>460,867</u>	<u>-</u>	<u>16,480</u>	<u>444,387</u>	<u>17,452</u>
Totals	<u>\$8,140,684</u>	<u>\$ -</u>	<u>\$ 539,720</u>	<u>\$7,600,964</u>	<u>\$ 471,478</u>

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 DEFINED BENEFIT PENSION PLAN

The Medical Center 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 Medical Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$563,087, \$481,916 and \$455,991, respectively, equal to the required contributions for each year.

NOTE 9 CHARITY CARE

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2007 and 2006.

	2007	2006
Charges foregone, based on established rates	\$ <u>197,837</u>	\$ <u>120,076</u>
Equivalent percentage of charity care patients to all patients served	<u>.5%</u>	<u>.4%</u>

NOTE 10 MALPRACTICE CLAIMS

The Medical Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Medical Center is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Medical Center.

Incidents occurring through June 30, 2007 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily prescribed procedures. The Medical Center prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that depreciation is not recorded as an expenditure on the County Hospital budget basis and capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING (continued)

The following is a comparison of reported amounts to the Hospital budget:

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 1,153,985	\$ -	\$ 1,153,985	\$ 1,070,304
Other revenues/receipts	<u>25,709,263</u>	<u>1,217,660</u>	<u>26,926,923</u>	<u>29,138,951</u>
	26,863,248	1,217,660	28,080,908	30,209,255
Expenses/expenditures	<u>24,802,873</u>	<u>2,305,211</u>	<u>27,108,084</u>	<u>32,526,038</u>
Net	2,060,375	(1,087,551)	972,824	(2,316,783)
Balance, beginning	<u>24,165,680</u>	<u>(9,757,255)</u>	<u>14,408,425</u>	<u>12,569,796</u>
Balance, ending	<u>\$26,226,055</u>	<u>\$(10,844,806)</u>	<u>\$15,381,249</u>	<u>\$10,253,013</u>

NOTE 12 EMPLOYEE BENEFITS

The Medical Center has entered into a self-insured medical benefit plan for virtually all employees. The plan is funded by both Medical Center and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$75,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$2,300,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2007 and 2006 were \$2,593,605 and \$1,801,181, respectively, included in fiscal and administrative and unassigned expenses.

NOTE 13 RISK MANAGEMENT

The Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Medical Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

Our report on our audits of the basic financial statements of Greater Regional Medical Center for 2007 and 2006 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information 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 the 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 30, 2007

**Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
0 – 30 days (includes patients in Medical Center at end of year)	\$3,036,628	\$2,747,892	53.68%	56.57%
31 – 60 days	971,263	845,710	17.17	16.02
61 – 90 days	465,254	359,335	8.23	6.81
91 – 120 days	361,611	233,879	6.39	4.43
Over 120 days	<u>821,958</u>	<u>853,315</u>	<u>14.53</u>	<u>16.17</u>
Totals	<u>5,656,714</u>	<u>5,040,131</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	880,000	890,000		
Medicaid	230,000	190,000		
Other	190,000	140,000		
Bad debts	<u>700,000</u>	<u>630,000</u>		
Total allowances	<u>2,000,000</u>	<u>1,850,000</u>		
Totals	<u>\$3,656,714</u>	<u>\$3,190,131</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 65,477</u>	<u>\$ 58,345</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>56</u>	<u>55</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
BALANCE , beginning	\$ 630,000	\$ 500,000		
ADD				
Provision for bad debts	886,625	1,017,266	3.71%	4.78%
Recoveries of accounts previously written off	<u>497,649</u>	<u>451,551</u>	2.08	2.12
	2,014,274	1,968,817		
DEDUCT				
Accounts written off	<u>1,314,274</u>	<u>1,338,817</u>	5.50	6.29
BALANCE , ending	<u>\$ 700,000</u>	<u>\$ 630,000</u>		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$ 2,338,018	\$ —	\$ 2,338,018	\$ 2,160,665
Special care	77,730	—	77,730	91,360
Swing bed	501,350	—	501,350	430,139
Behavioral health	994,705	—	994,705	1,250,370
Cardiac monitors	109,200	3,675	112,875	119,875
Nursery	381,279	—	381,279	343,552
	<u>4,402,282</u>	<u>3,675</u>	<u>4,405,957</u>	<u>4,395,961</u>
OTHER NURSING SERVICES				
Same day surgery	—	40,890	40,890	47,940
Operating room	1,072,127	2,549,585	3,621,712	3,386,118
Recovery room	447,470	780,950	1,228,420	1,148,845
Delivery and labor rooms	363,200	—	363,200	297,100
Central services and supply	525,311	915,474	1,440,785	1,454,169
Emergency room	27,275	2,207,295	2,234,570	1,980,645
Outpatient clinics	—	1,129,762	1,129,762	798,882
Ambulance	—	745,368	745,368	732,986
Home health services	—	591,367	591,367	531,030
Outreach services	—	254,066	254,066	410,759
Hospice	—	540,144	540,144	554,008
	<u>2,435,383</u>	<u>9,754,901</u>	<u>12,190,284</u>	<u>11,342,482</u>
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	1,010,086	2,604,062	3,614,148	3,093,673
Electroencephalography	1,825	8,030	9,855	9,855
Electrocardiology	117,224	249,690	366,914	384,502
Cardiology and vascular testing	95,332	806,290	901,622	783,016
Radiology and ultrasound	235,287	2,742,707	2,977,994	2,660,540
Radiation therapy	18,381	761,266	779,647	801,913
Nuclear medicine	15,242	575,527	590,769	474,833
CT scans	320,469	2,140,546	2,461,015	2,152,208
Magnetic resonance imaging	37,025	981,993	1,019,018	830,970
Pharmacy and intravenous therapy	1,517,474	3,382,861	4,900,335	4,227,524
Anesthesiology	131,990	229,815	361,805	—
Respiratory therapy	440,624	305,832	746,456	737,935
Physical therapy	156,782	374,010	530,792	479,561
Speech, occupational and recreational therapy	75,810	82,533	158,343	109,044
Cardiac rehabilitation	—	189,313	189,313	150,985
Lenox clinic	—	197,173	197,173	47,347
	<u>4,173,551</u>	<u>15,631,648</u>	<u>19,805,199</u>	<u>16,943,906</u>
Totals	<u>\$11,011,216</u>	<u>\$25,390,224</u>	36,401,440	32,682,349
Charity care charges foregone, based on established rates			(197,837)	(120,076)
Total gross patient service revenue			36,203,603	32,562,273
Provisions for contractual adjustments and bad debts			(12,304,652)	(11,266,323)
Total net patient service revenue			<u>\$23,898,951</u>	<u>\$21,295,950</u>

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Contractual adjustments		
Medicare	\$ 6,796,147	\$ 6,557,638
Medicaid	1,477,932	1,273,609
Other adjustments	3,143,948	2,417,810
Provision for bad debts	<u>886,625</u>	<u>1,017,266</u>
 Totals	 <u>\$12,304,652</u>	 <u>\$11,266,323</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Rental income		
Medical Arts Plaza	\$ 546,661	\$ 538,643
Crestridge Estates	538,504	488,117
Linear accelerator space	-	1,283
Equipment	66,883	30,578
Pharmacy revenue, employees	170,926	130,125
Cafeteria sales	133,711	161,889
Meals on wheels	32,483	44,318
Sale of supplies and miscellaneous services to employees and others	35,900	38,250
Wellness	45,241	31,281
Lifeline	11,901	63,801
Miscellaneous	<u>108,293</u>	<u>57,495</u>
 Totals	 <u>\$1,690,503</u>	 <u>\$1,585,780</u>

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 102,893	\$ 2,380	\$ 105,273	\$ 95,032
Medical and surgical	1,487,904	178,712	1,666,616	1,526,752
Special care	101,554	7,389	108,943	115,296
Obstetric nursing, delivery and labor rooms	444,118	59,624	503,742	436,511
Behavioral health	497,817	151,108	648,925	626,554
Operating and recovery rooms	515,212	427,222	942,434	666,866
Central services and supply	-	255,001	255,001	237,212
Emergency room	596,774	565,756	1,162,530	1,010,981
Outpatient clinics	122,170	31,581	153,751	139,252
Ambulance	113,805	38,488	152,293	134,309
Home health services	336,365	99,222	435,587	311,689
Outreach services	298,654	58,318	356,972	427,487
Hospice	<u>238,809</u>	<u>199,433</u>	<u>438,242</u>	<u>391,527</u>
Total nursing service	<u>4,856,075</u>	<u>2,074,234</u>	<u>6,930,309</u>	<u>6,119,468</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	353,771	485,593	839,364	772,930
Pathology	-	3,962	3,962	16,893
Blood service	-	121,982	121,982	113,417
Electroencephalography	-	1,344	1,344	3,819
Electrocardiology	-	5	5	114
Cardiology and vascular testing	-	32,637	32,637	27,592
Radiology and ultrasound	523,412	393,633	917,045	927,147
Radiation therapy	86,132	237,708	323,840	114,980
Nuclear medicine	-	53,404	53,404	66,415
CT scans	-	107,637	107,637	182,141
Magnetic resonance imaging	-	206,880	206,880	186,640
Pharmacy	370,892	1,740,358	2,111,250	1,772,671
Intravenous therapy	-	31,890	31,890	20,396
Anesthesiology	-	141,913	141,913	-
Respiratory therapy	156,030	100,079	256,109	215,516
Physical therapy	268,138	49,949	318,087	269,024
Speech, occupational, and recreational therapy	117,564	42,685	160,249	91,049
Cardiac rehabilitation	51,179	10,675	61,854	63,976
Lenox clinic	171,705	89,131	260,836	119,565
GCH clinic	-	1,778	1,778	19,588
Medical Arts Plaza	-	116,620	116,620	120,582
Crestridge Estates	52,002	226,058	278,060	249,847
Creston Medical Clinic	-	31,374	31,374	64,218
Social services	64,851	2,463	67,314	63,630
Health information services	328,921	105,987	434,908	362,819
Quality assurance	<u>76,456</u>	<u>8,435</u>	<u>84,891</u>	<u>75,099</u>
Total other professional service	<u>2,621,053</u>	<u>4,344,180</u>	<u>6,965,233</u>	<u>5,920,068</u>

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
GENERAL SERVICE				
Dietary	\$ 548,621	\$ 213,215	\$ 761,836	\$ 745,123
Plant operation	226,023	671,859	897,882	828,046
Housekeeping	230,633	50,058	280,691	254,857
Laundry	54,679	15,089	69,768	74,620
Linen	-	6,195	6,195	6,395
Environmental services	-	-	-	16,609
Total general service	<u>1,059,956</u>	<u>956,416</u>	<u>2,016,372</u>	<u>1,925,650</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	320,559	253,465	574,024	506,009
Accounting	193,788	31,017	224,805	216,461
Human resources	104,918	70,746	175,664	107,086
Business office	450,259	32,761	483,020	464,793
Purchasing	129,993	44,923	174,916	158,784
Public relations	50,623	108,197	158,820	109,595
Telephone	-	37,540	37,540	36,449
Professional fees	-	150,285	150,285	229,979
Computer support	-	261,229	261,229	263,946
Collection fees	-	108,338	108,338	104,003
Receivables management fee	-	99,078	99,078	94,617
Dues and subscriptions	-	32,357	32,357	24,371
Travel and mileage	-	13,791	13,791	8,354
Publication fees	-	2,427	2,427	1,871
Physician recruitment	-	111,406	111,406	117,063
UNASSIGNED EXPENSES				
Wellness	81,855	25,434	107,289	80,792
Lifeline	12,780	7,050	19,830	77,005
FICA	-	720,994	720,994	641,308
IPERS	-	563,087	563,087	481,916
Group health and life insurance	-	2,715,169	2,715,169	1,872,989
Workers' compensation insurance	-	177,867	177,867	153,020
Insurance	-	190,880	190,880	111,894
Total fiscal and administrative service and unassigned expenses	<u>1,344,775</u>	<u>5,758,041</u>	<u>7,102,816</u>	<u>5,862,305</u>
PROVISION FOR DEPRECIATION				
	-	1,788,143	1,788,143	1,740,122
Total expenses	<u>\$9,881,859</u>	<u>\$14,921,014</u>	<u>\$24,802,873</u>	<u>\$21,567,613</u>

**Greater Regional Medical Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2007</u>	<u>2006</u>
PATIENT DAYS		
Medical, surgical and obstetrical	3,888	3,590
Behavioral health	1,016	1,269
Swing bed	1,113	961
Nursery	<u>529</u>	<u>480</u>
Totals	<u>6,546</u>	<u>6,300</u>
 DISCHARGES		
Medical, surgical and obstetrical	1,255	1,183
Behavioral health	146	124
Swing bed	121	109
Nursery	<u>248</u>	<u>221</u>
	<u>1,770</u>	<u>1,637</u>
 AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	3.10	3.03
Behavioral health	6.96	10.23
Swing bed	9.20	8.82
Nursery	2.13	2.17

**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**

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

We have audited the financial statements of Greater Regional Medical Center as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 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 the 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 an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

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

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

Our consideration of 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 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 the 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Medical Center'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 Medical Center. 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. Those comments are presented in Part II of the accompanying Schedule of Findings.

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 30, 2007

**Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part II—Findings Related to Required Statutory Reporting

07-II-A CERTIFIED COUNTY HOSPITAL BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Hospital did not exceed its County Hospital budget for the year ended June 30, 2007.

07-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

07-II-C TRAVEL EXPENSES

No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.

07-II-D BUSINESS TRANSACTIONS

No business transactions were found between the Medical Center and Medical Center officials and/or employees.

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 noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Medical Center's investment policy.