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, 2008 AND 2007

GREENE COUNTY MEDICAL CENTER

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GREENE COUNTY MEDICAL CENTER
Officials
June 30, 2008

Board of Trustees:	Address	Term Expires
Jim Schleisman, Chairperson	Jefferson, Iowa	2010
Peggy Eason, Vice-Chairperson	Scranton, Iowa	2008
Judy Sankot, Secretary	Jefferson, Iowa	2010
Ralph Riedesel, Treasurer	Paton, Iowa	2012
David Hoyt	Jefferson, Iowa	2012
Ruth Consier	Churdan, Iowa	2008
Kim Rueter	Grand Junction, Iowa	2010

Administrator/CEO:

Karen L. Bossard — Jefferson, Iowa

Director of Financial Services:

William C. Steussy — Jefferson, Iowa

Controller:

James Last — Grand Junction, Iowa

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

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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, 2008 and 2007, 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, 2008 and 2007, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2008 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, 2006 (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.

Brownfoot, Bell, Thyhsen & Co. P.C.

Atlantic, Iowa
December 8, 2008

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GCMC
nothing's more important than your health™

GREENE COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

Greene County Medical Center offers readers of our financial statements this narrative overview and analysis of the financial activities of the Medical Center for the fiscal years ended June 30, 2008 and June 30, 2007. 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 $385,525 increase in 2008 and a $64,048 increase in 2007.

The Medical Center's operating loss increased from $1,062,008 in 2007 to $1,674,781 in 2008.

The Medical Center's accounts receivables decreased by $231,022 or 5% in 2008.

Net capital assets increased by $191,927 or 2% in 2008.

Capital contributions to the Medical Center totaled $371,764 in 2008.

Gross patient revenues dropped for the 1st time in over 5 years due to volume drops in both inpatient and outpatient services as a result of the loss of some local physician services.

The Medical Center's Rural Health Clinic was closed effective July 1, 2007 resulting in $799,154 less gross revenues and $742,640 less operational expenses.

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 $385,525 in 2008, and $64,048 in 2007, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	2008	2007	2006
Assets:			
Current assets	$ 7,127,632	$ 6,797,793	$ 5,806,286
Capital assets, net	9,302,338	9,110,411	9,026,808
Other noncurrent assets	4,743,257	4,907,629	5,644,968
Total assets	$ 21,173,227	$ 20,815,833	$ 20,478,062
Liabilities:			
Long-term debt outstanding	$ --	$ --	$ --
Other current and noncurrent liabilities	2,681,934	2,710,065	2,436,342
Total liabilities	$ 2,681,934	$ 2,710,065	$ 2,436,342
Net Assets:			
Invested in capital assets, net of related debt	$ 9,302,338	$ 9,110,411	$ 9,026,808
Restricted - expendable	460,753	449,258	496,073
Unrestricted	8,728,202	8,546,099	8,518,839
Total net assets	$ 18,491,293	$ 18,105,768	$ 18,041,720

Current assets increased by 5% primarily as a result of an increase in third party payer receivables and property tax receivables. Other noncurrent assets decreased by 3% due to using reserves to help pay for the new information system and other capital purchases. Liabilities decreased by 1%, due to a decrease in third party payables to Medicare and Medicaid.

Net capital assets increased by $191,927 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 2008, the Medical Center's net assets increased by $385,525, as shown in Table 2. This increase is made up of very different components. This year the most significant change was receiving $671,764 in contributions from primarily the GCMC Foundation to fund some capital projects and physician recruitment. This offset the increased operating loss resulting from the lost volumes from losing some local physician services.

Table 2: Operating Results and Changes in Net Assets

	2008	2007	2006
Operating Revenues:			
Net patient service revenues	$ 15,033,541	$ 15,349,955	$ 14,896,380
Other operating revenues	438,578	420,027	440,584
Total operating revenues	15,472,119	15,769,982	15,336,964
Operating Expenses:			
Salaries and benefits	10,574,991	10,435,269	10,101,438
Professional fees	1,256,331	1,304,701	1,210,503
Other operating expenses	4,213,158	4,123,742	4,068,868
Depreciation	1,102,420	968,278	985,053
Total operating expenses	17,146,900	16,831,990	16,365,862
Operating Loss	(1,674,781)	(1,062,008)	(1,028,898)
Nonoperating Revenues:			
Property taxes	902,698	809,805	709,502
Investment income	191,351	249,947	196,422
Noncapital grants and contributions	616,493	322,224	346,022
Gain on disposal of equipment	3,000	305	--
Total nonoperating revenues	1,713,542	1,382,281	1,251,946
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	38,761	320,273	223,048
Capital grants and contributions	371,764	78,060	74,302
Medical Occupation Scholarships	(25,000)	(22,500)	(22,500)
Unusual item	--	(311,785)	--
Increase in net assets	385,525	64,048	274,850
Net Assets Beginning of Year	18,105,768	18,041,720	17,766,870
Net Assets End of Year	$ 18,491,293	$ 18,105,768	$ 18,041,720

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 2006, the operating loss was $1,028,898. In 2007, the operating loss increased to $1,062,008. In 2008, the operating loss increased to $1,674,781 due to a combination of items.

The primary components of the increased operating loss are:

-A decrease in Acute day volume of 13%.
-A decrease in SNF day volume of 23%.
-Total operating revenues decreased by 1.9%, while total operating expenses increased 1.9% in 2008 over 2007.

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 decrease in investment income was a result of interest rates dropping over the last year, as well as spending down some of the reserves on major capital projects.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Medical Center has received both capital and operating contributions from both the Greene County Medical Center Foundation and the GCMC Auxiliary over the last two years to fund new equipment and physician recruitment efforts. This year the Medical Center received $671,764 from the two organizations for various projects.

BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2008 was prepared on a modified accrual basis. Actual revenues and expenses were both below the budgeted figures due to major construction projects not occurring, as well as a drop in volumes.

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 2008, the Medical Center had $9.3 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2008, the Medical Center added $2,087,309 in capital assets, significantly greater than in 2007. The new assets were greater than the $1,102,420 in depreciation expense, explaining the increase in depreciable net capital assets.

Construction-in-Progress:

The Medical Center capitalized the new information system and nurse call system in 2008 to reduce the balance. A new roof replacement project was started in the summer of 2008.

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 2008 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

	2008	2007
Current Assets:		
Cash	$ 1,081,149	$ 890,376
Patient receivables, less allowances for doubtful accounts and for contractual adjustments ($1,630,000 in 2008, $1,542,437 in 2007)	4,114,692	4,345,714
Accounts receivable - other	90,081	107,503
Inventory	218,516	233,186
Prepaid expense	253,441	298,264
Estimated third-party payor settlements	251,000	--
Succeeding year property tax receivable	1,008,000	873,000
Internally designated assets	110,753	49,750
Total current assets	7,127,632	6,797,793
Designated and Restricted Assets:		
Internally designated assets	4,068,257	4,454,961
Restricted assets	460,753	449,258
	4,529,010	4,904,219
Less amounts required to meet current liabilities	110,753	49,750
	4,418,257	4,854,469
Capital Assets:		
Depreciable capital assets, net	9,179,247	8,194,358
Non-depreciable capital assets	123,091	916,053
	9,302,338	9,110,411
Notes Receivable	325,000	53,160
Total assets	$ 21,173,227	$ 20,815,833

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2008	2007
Current Liabilities:		
Accounts payable - trade	$ 600,107	$ 221,426
Accounts payable - plant	110,753	49,750
Accrued employee compensation	955,470	1,011,285
Estimated third-party payor settlements	--	547,000
Deferred grant revenue	7,604	7,604
Deferred revenue for succeeding year property tax receivable	1,008,000	873,000
Total current liabilities	2,681,934	2,710,065
Net Assets:		
Invested in capital assets, net of related debt	9,302,338	9,110,411
Restricted	460,753	449,258
Unrestricted	8,728,202	8,546,099
Total net assets	18,491,293	18,105,768
Total liabilities and net assets	$ 21,173,227	$ 20,815,833

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

	2008	2007
Revenue:		
Net patient service revenue	$ 15,033,541	$ 15,349,955
Other revenue	438,578	420,027
Total revenue	15,472,119	15,769,982
Expenses:		
Nursing service	5,432,007	5,228,964
Other professional service	4,731,484	5,301,288
General service	2,577,127	2,355,826
Fiscal and administrative service	3,303,862	2,977,634
Provision for depreciation	1,102,420	968,278
Total expenses	17,146,900	16,831,990
Operating Loss	(1,674,781)	(1,062,008)
Non-Operating Revenues:		
County taxes	902,698	809,805
Noncapital grants and contributions	616,493	322,224
Investment income	191,351	249,947
Gain on disposal of equipment	3,000	305
Non-operating revenues, net	1,713,542	1,382,281
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	38,761	320,273
Capital Grants and Contributions	371,764	78,060
Medical Occupation Scholarship Distributions	(25,000)	(22,500)
Unusual Item (Note J)	--	(311,785)
Increase in Net Assets	385,525	64,048
Net Assets Beginning of Year	18,105,768	18,041,720
Net Assets End of Year	$ 18,491,293	$ 18,105,768

The accompanying notes are an integral part of these statements.

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

	2008	2007
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 14,483,985	$ 15,131,774
Cash paid to suppliers	(7,220,533)	(7,626,458)
Cash paid to employees	(8,413,428)	(8,356,449)
Other revenue	438,578	420,027
Net cash used in operating activities	(711,398)	(431,106)
Cash flows from non-capital financing activities:		
County tax revenue	902,698	809,805
Noncapital grants and contributions	616,493	322,224
Net cash provided by non-capital financing activities	1,519,191	1,132,029
Cash flows from capital and related financing activities:		
Capital grants and contributions	371,764	78,060
Capital expenditures	(637,693)	(298,432)
Construction in progress expenditures	(595,651)	(814,783)
Unusual item	--	(245,685)
Proceeds from sale of property and equipment	3,000	305
Net cash used in capital and related financing activities	(858,580)	(1,280,535)
Cash flows from investing activities:		
Medical occupation scholarship distributions	(25,000)	(22,500)
Change in notes receivable	(300,000)	(43,160)
Change in designated and restricted assets	372,700	66,021
Investment income	191,351	249,947
Net cash provided by investing activities	239,051	250,308
Net increase (decrease) in cash and cash equivalents	188,264	(329,304)
Cash and cash equivalents at beginning of year	2,313,554	2,642,858
Cash and cash equivalents at end of year	$ 2,501,818	$ 2,313,554

(continued next page)

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

	2008	2007
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	$ 1,081,149	$ 890,376
Cash and cash equivalents in designated and restricted assets	1,420,669	1,423,178
Total cash and cash equivalents	$ 2,501,818	$ 2,313,554
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$(1,674,781)	$(1,062,008)
Adjustments to reconcile operating loss to net cash used in operating activities		
Provision for depreciation	1,102,420	968,278
Amortization of notes receivable	28,160	20,000
Change in assets and liabilities		
Accounts receivable	248,444	(450,181)
Inventory	14,670	6,147
Prepaid expense	44,823	(91,299)
Accounts payable - trade	378,681	(70,232)
Accrued employee compensation	(55,815)	16,189
Estimated third-party payor settlements	(798,000)	232,000
Total adjustments	963,383	630,902
Net cash used in operating activities	$(711,398)	$(431,106)

The accompanying notes are an integral part of these statements.

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 $651,704 in capital contributions from the Foundation during the year ended June 30, 2008 ($68,185 in 2007). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately $1,974,000 ($1,909,000 in 2007) and an increase in the change in net assets of approximately $65,000 ($63,000 in 2007) for the year ended June 30, 2008.

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.

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 2008 or 2007.

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.

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.

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

16. Net Assets

Net assets of the Hospital are classified in three 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 net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *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 and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2006. 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.

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2008	2007
Healthcare occupation student loans and scholarships	$ 165,753	$ 174,258
Purchase of property and equipment	20,000	--
	$ 185,753	$ 174,258

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, 2008 and 2007 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:

	2008	2007
Healthcare occupation student loans and scholarships	$ 275,000	$ 275,000

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

	2008	2007
Purchase of property and equipment	$ 651,764	$ 78,060
Medical occupation scholarships	25,000	65,660
	$ 676,764	$ 143,720

NOTE D - DESIGNATED NET ASSETS

Of the $8,728,202 ($8,546,099 as of June 30, 2007) of unrestricted net assets as of June 30, 2008, $4,068,257 ($4,454,961 for 2007) 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.

	2008	2007
Capital acquisitions	$ 4,068,257	$ 4,454,961

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2008 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:

	2008	2007
Internally Designated Assets:		
Cash and cash equivalents	$ 1,360,417	$ 1,356,032
Certificates of deposit	2,704,286	3,094,936
Interest receivable	3,554	3,993
	$ 4,068,257	$ 4,454,961
Restricted Assets:		
Cash and cash equivalents	$ 60,252	$ 67,146
Certificates of deposit	300,000	300,000
Notes receivable	100,036	81,559
Interest receivable	465	553
	$ 460,753	$ 449,258

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.

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, 2008 and 2007, was as follows:

	2008	2007
Receivable from:		
Patients	$ 2,644,405	$ 2,639,890
Medicare	1,597,672	1,963,398
Medicaid	419,609	246,446
Wellmark	663,087	579,875
Other commercial insurance carriers	419,919	458,542
	5,744,692	5,888,151
Less allowances for doubtful accounts and contractual adjustments	1,630,000	1,542,437
	$ 4,114,692	$ 4,345,714

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2008 and 2007 were as follows:

Cost	Balance 2007	Additions	Disposals	Balance 2008
Land Improvements	$ 530,009	$ 3,684	$ --	$ 533,693
Buildings	7,401,535	25,718	--	7,427,253
Fixed Equipment	7,930,849	199,967	--	8,130,816
Major Movable Equipment	4,124,071	1,857,940	17,000	5,965,011
	19,986,464	2,087,309	17,000	22,056,773
Depreciation				
Land Improvements	333,638	26,672	--	360,310
Buildings	3,605,634	225,512	--	3,831,146
Fixed Equipment	4,665,214	360,685	--	5,025,899
Major Movable Equipment	3,187,620	489,551	17,000	3,660,171
Total Depreciation	11,792,106	1,102,420	17,000	12,877,526
Depreciable Capital Assets, Net	$ 8,194,358	$ 984,889	$ --	$ 9,179,247
Land	$ 16,673	$ --	$ --	$ 16,673
Construction in Progress	899,380	706,404	1,499,366	106,418
Total Non-Depreciable Capital Assets	$ 916,053	$ 706,404	$1,499,366	$ 123,091

NOTE G - CAPITAL ASSETS - Continued

Cost	Balance 2006	Additions	Disposals	Balance 2007
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	4,218,337	191,968	286,234	4,124,071
	19,939,759	332,939	286,234	19,986,464
Depreciation				
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	3,132,268	341,586	286,234	3,187,620
Total Depreciation	11,110,062	968,278	286,234	11,792,106
Depreciable Capital Assets, Net	$ 8,829,697	$(635,339)	$ --	$ 8,194,358
Land	$ 16,673	$ --	$ --	$ 16,673
Construction in Progress	180,438	1,053,268	334,326	899,380
Total Non-Depreciable Capital Assets	$ 197,111	$1,053,268	$ 334,326	$ 916,053

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 3.90% (4.10% beginning July 1, 2008) of their annual salary and the Hospital is required to contribute 6.05% (6.35% beginning July 1, 2008) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were approximately $494,600, $472,200, and $448,700, respectively, equal to the required contributions for each year.

NOTE I - COMMITMENTS AND CONTINGENCIES

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

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

Construction in Progress
During the year ended June 30, 2008, the Hospital began a roof replacement project for a portion of the Hospital building. The project has a total cost of approximately $189,000. At June 30, 2008, costs incurred on the project totaled $106,418. Financing for the project is expected to be provided by funds generated internally.

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, 2008

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	$ 902,698	$ --	$ 902,698
Other revenues	15,966,468	688,259	16,654,727
Transfers in (out)	651,764	(651,764)	--
	17,520,930	36,495	17,557,425
Expenses	17,146,900	25,000	17,171,900
Net	374,030	11,495	385,525
Balance beginning of year	17,656,510	449,258	18,105,768
Balance end of year	$ 18,030,540	$ 460,753	$ 18,491,293

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Budget
Amount raised by taxation	$ 902,698	$ 252,218	$ 1,154,916	$ 1,151,113
Other revenues	16,654,727	330,066	16,984,793	18,448,675
	17,557,425	582,284	18,139,709	19,599,788
Expenses	17,171,900	1,848,471	19,020,371	20,273,617
Net	385,525	(1,266,187)	(880,662)	(673,829)
Balance beginning of year	18,105,768	(908,369)	17,197,399	17,197,399
Balance end of year	$ 18,491,293	$(2,174,556)	$ 16,316,737	$ 16,523,570

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

GREENE COUNTY MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2008 Amount	2008 Percent to Total	2007 Amount	2007 Percent to Total
0 - 30	$ 2,424,579	42.2%	$ 1,717,958	29.2%
31 - 60	518,345	9.0	1,117,532	19.0
61 - 90	475,553	8.3	651,601	11.1
91 - 120	193,670	3.4	220,535	3.7
120 and over	2,132,545	37.1	2,180,525	37.0
	5,744,692	100.0%	5,888,151	100.0%
Allowance for doubtful accounts	1,059,000		1,084,437	
Allowance for contractual adjustments	571,000		458,000	
	$ 4,114,692		$ 4,345,714	

Allowance for Doubtful Accounts:

	Year ended June 30, 2008	Year ended June 30, 2007
Balance, beginning	$1,084,437	$1,016,652
Provision for bad debts	439,995	432,174
Recoveries of accounts previously written off	6,423	8,238
	1,530,855	1,457,064
Accounts written off	471,855	372,627
Balance, ending	$1,059,000	$1,084,437

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Inventory/Prepaid Expense
June 30,

	2008	2007
Inventory		
Medical and surgical	$ 88,692	$ 96,571
Dietary	8,263	5,334
Pharmacy	65,396	63,973
Laboratory and radiology	38,306	48,780
Maintenance	17,859	18,528
	$ 218,516	$ 233,186
Prepaid Expense		
Health insurance	$ 114,682	$ 96,349
Other insurance	58,193	119,988
Service contracts and dues	80,566	81,927
	$ 253,441	$ 298,264

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

	2008		
	Inpatient	Outpatient	Swing Bed
Daily Patient Services:			
Medical, surgical and obstetric	$ 1,006,653	$ 239,231	$ 423,278
Long-term care	--	--	16,850
Coronary care	53,820	--	--
Nursery	59,500	--	--
	1,119,973	239,231	440,128
Other Nursing Services:			
Operating room	146,625	1,306,544	6,056
Delivery and labor rooms	60,628	4,880	--
Central services and supply	161,909	417,503	33,392
Emergency service	173,483	1,272,118	168
Cardiac rehabilitation	228	116,010	5,016
	542,873	3,117,055	44,632
Other Professional Services:			
Anesthesiology	91,630	329,796	742
Laboratory	230,100	2,209,129	41,985
Radiology	55,589	1,058,878	6,671
Nuclear medicine	141,037	1,239,184	8,438
Pharmacy	652,690	1,118,518	286,138
Electrocardiology	21,104	75,828	680
Physical therapy	10,532	286,713	42,327
Inhalation therapy	217,964	560,799	69,596
Diabetic education	--	65,943	--
Speech therapy	1,128	1,832	1,789
Occupational therapy	6,930	104,970	38,987
Rural Health Clinic	--	--	--
Public health	--	649,844	--
	1,428,704	7,701,434	497,353
	$ 3,091,550	$ 11,057,720	$ 982,113

See Independent Auditor's Report.

2008		2007
LTC	Total	Total
$ --	$ 1,669,162	$ 1,726,759
2,919,869	2,936,719	2,842,140
--	53,820	114,810
--	59,500	57,850
2,919,869	4,719,201	4,741,559
--	1,459,225	1,662,128
--	65,508	39,589
80,485	693,289	792,485
--	1,445,769	1,252,116
--	121,254	174,462
80,485	3,785,045	3,920,780
--	422,168	522,139
--	2,481,214	2,449,240
--	1,121,138	1,174,161
--	1,388,659	1,368,163
37	2,057,383	1,902,739
--	97,612	101,073
--	339,572	344,209
899	849,258	786,808
--	65,943	87,379
--	4,749	26,657
--	150,887	148,262
--	--	799,154
--	649,844	567,220
936	9,628,427	10,277,204
$ 3,001,290	$ 18,132,673	$ 18,939,543

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

	2008	2007
Net Patient Service Revenue		
Patient service revenue	$ 18,132,673	$ 18,939,543
Contractual adjustments	(2,470,363)	(3,088,132)
Provision for bad debts	(439,995)	(432,174)
Public health adjustments	(55,101)	(35,219)
Charity care	(178,655)	(55,787)
Adjustments to long-term care revenue	44,982	21,724
	$ 15,033,541	$ 15,349,955
Other Revenue		
Meals sold	$ 94,010	$ 87,803
Public health revenue	153,331	136,182
Rental income	80,833	79,671
Ever Greene Ridge operations	59,603	68,837
Ancillary service coverage revenue	40,172	18,851
Medical record transcripts	4,914	18,779
Utilization review	88	105
In-service revenue	1,303	1,411
Miscellaneous	4,324	8,388
	$ 438,578	$ 420,027

See Independent Auditor's Report.

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

	2008	2007
Administrative:		
Salaries and wages	$ 112,677	$ 110,226
Employee benefits	20,306	16,960
Supplies and other expense	3,350	2,000
	136,333	129,186
Education:		
Supplies and other expense	3,136	862
Medical and Surgical:		
Salaries and wages	1,434,011	1,362,617
Employee benefits	189,401	173,009
Supplies and other expense	97,875	80,802
	1,721,287	1,616,428
Long-Term Care:		
Salaries and wages	1,186,974	1,132,103
Employee benefits	158,300	146,875
Supplies and other expense	97,133	86,594
	1,442,407	1,365,572
Coronary Care:		
Salaries and wages	11,831	18,220
Employee benefits	1,579	2,371
Supplies and other expense	5,562	13,229
	18,972	33,820
Obstetric:		
Salaries and wages	64,035	130,241
Employee benefits	8,314	16,799
Supplies and other expense	19,003	22,764
	91,352	169,804
Nursery:		
Salaries and wages	14,484	6,875
Employee benefits	1,916	897
	16,400	7,772
Operating Room:		
Salaries and wages	285,155	260,791
Employee benefits	36,322	34,768
Supplies and other expense	407,521	351,622
	728,998	647,181

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

	2008	2007
Delivery and Labor Rooms:		
Salaries and wages	$ 12,934	$ 10,306
Employee benefits	1,695	1,327
	14,629	11,633
Central Services and Supply:		
Salaries and wages	155,889	137,756
Employee benefits	20,155	17,769
Supplies and other expense	12,424	10,796
	188,468	166,321
Emergency Service:		
Salaries and wages	246,912	259,309
Employee benefits	30,432	33,399
Professional fees	653,160	610,510
Supplies and other expense	56,305	70,967
	986,809	974,185
Eldercare:		
Salaries and wages	29,793	30,585
Employee benefits	3,888	3,704
Supplies and other expense	4,581	2,190
	38,262	36,479
Cardiac Rehabilitation:		
Salaries and wages	36,929	48,580
Employee benefits	5,724	6,176
Supplies and other expense	2,301	14,965
	44,954	69,721
	$ 5,432,007	$ 5,228,964

SUMMARY

Salaries and wages	$ 3,591,624	$ 3,507,609
Employee benefits	478,032	454,054
Professional fees	653,160	610,510
Other expense	709,191	656,791
	$ 5,432,007	$ 5,228,964

See Independent Auditor's Report.

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

	2008	2007
Anesthesiology:		
Professional fees	$ 277,971	$ 342,550
Supplies and other expense	27,866	35,277
	305,837	377,827
Laboratory:		
Salaries and wages	342,424	321,689
Employee benefits	44,190	42,154
Professional fees	91,816	103,019
Supplies and other expense	287,808	302,425
	766,238	769,287
Radiology:		
Salaries and wages	348,682	338,593
Employee benefits	47,299	44,220
Supplies and other expense	143,782	113,014
	539,763	495,827
Nuclear Medicine:		
Purchased services	292,717	312,207
Supplies and other expense	45,659	40,852
	338,376	353,059
Pharmacy:		
Salaries and wages	223,446	154,554
Employee benefits	28,860	19,913
Professional fees	--	20,195
Drugs	304,938	246,384
Supplies and other expense	38,520	25,569
	595,764	466,615
Electrocardiology:		
Salaries and wages	9,519	11,125
Employee benefits	1,299	1,491
Professional fees	8,592	8,280
	19,410	20,896
Physical Therapy:		
Salaries and wages	233,916	222,575
Employee benefits	36,023	29,057
Professional fees	3,131	5,163
Supplies and other expense	19,367	13,117
	292,437	269,912

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

	2008	2007
Inhalation Therapy:		
Salaries and wages	$ 130,490	$ 117,635
Employee benefits	16,900	15,343
Oxygen	29,052	23,901
Supplies and other expense	113,302	124,892
	289,744	281,771
Speech Therapy:		
Professional fees	2,325	12,346
Supplies and other expense	667	--
	2,992	12,346
Occupational Therapy:		
Salaries and wages	44,242	40,990
Employee benefits	5,776	5,339
Supplies and other expense	2,804	858
	52,822	47,187
Rural Health Clinic:		
Salaries and wages	--	431,179
Employee benefits	--	53,186
Supplies and other expense	--	258,275
	--	742,640
Public Health:		
Salaries and wages	851,150	814,278
Employee benefits	108,652	104,488
Professional fees	750	750
Supplies and other expense	94,481	95,886
	1,055,033	1,015,402
Treatment Room:		
Salaries and wages	3,893	--
Employee benefits	493	--
Supplies and other expense	798	--
	5,184	--

(continued next page)

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

	2008	2007
Medical Records:		
Salaries and wages	$ 257,250	$ 250,140
Employee benefits	33,771	32,024
Supplies and other expense	41,135	39,703
	332,156	321,867
Diabetic Education:		
Salaries and wages	115,526	109,010
Employee benefits	15,391	13,441
Supplies and other expense	4,811	4,201
	135,728	126,652
	$ 4,706,188	$ 5,301,288

SUMMARY

Salaries and wages	$ 2,560,538	$ 2,811,768
Employee benefits	338,654	360,656
Professional fees	384,585	492,303
Other expense	1,447,707	1,636,561
	$ 4,731,484	$ 5,301,288

See Independent Auditor's Report.

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

	2008	2007
Dietary:		
Salaries and wages	$ 535,110	$ 498,474
Employee benefits	75,396	62,736
Food	355,479	333,579
Supplies and other expense	62,989	65,943
	1,028,974	960,732
Housekeeping:		
Salaries and wages	243,038	223,426
Employee benefits	32,417	29,735
Supplies and other expense	78,665	89,447
	354,120	342,608
Laundry and Linen:		
Salaries and wages	126,637	119,229
Employee benefits	15,646	14,784
Supplies and other expense	12,923	13,817
	155,206	147,830
Operation of Plant:		
Salaries and wages	256,337	244,074
Employee benefits	34,219	31,284
Utilities	444,504	460,090
Supplies and other expense	61,402	57,551
Purchased services	242,365	111,657
	1,038,827	904,656
	$ 2,577,127	$ 2,355,826

SUMMARY

Salaries and wages	$ 1,161,122	$ 1,085,203
Employee benefits	157,678	138,539
Other expense	1,258,327	1,132,084
	$ 2,577,127	$ 2,355,826

See Independent Auditor's Report.

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

	2008	2007
Fiscal:		
Salaries and wages	$ 583,470	$ 571,535
Employee benefits	74,960	72,311
Professional fees	955	1,642
Collection fees	32,643	46,835
Supplies and other expense	56,940	56,298
	748,968	748,621
Personnel:		
Salaries and wages	97,427	85,266
Employee benefits	11,995	11,191
Supplies and other expense	25,093	21,224
	134,515	117,681
Administrative:		
Salaries and wages	184,009	170,887
Employee benefits	42,829	37,792
Professional fees	173,117	154,970
Dues	26,625	33,940
Telephone	47,242	45,562
Supplies and other expense	71,919	58,955
	545,741	502,106
Information Systems:		
Salaries and wages	66,158	52,198
Employee benefits	8,978	6,871
Supplies and other expense	299,168	218,223
	374,304	277,292
Medical Care Evaluation:		
Salaries and wages	59,544	40,617
Employee benefits	7,378	6,271
Professional fees	4,514	5,276
Supplies and other expense	3,151	1,824
	74,587	53,988
Marketing:		
Salaries and wages	53,721	47,555
Employee benefits	6,994	5,948
Supplies and other expense	28,671	36,906
	89,386	90,409

(continued next page)

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

	2008	2007
Insurance:		
Insurance and bonding	$ 125,142	$ 135,281
Medical Staff:		
Professional fees	40,000	40,000
Supplies and other expense	81,339	43,258
	121,339	83,258
Employee Welfare:		
Employee insurance	946,690	834,042
Workers' compensation insurance	88,287	96,903
Other employee benefits	31,774	22,276
Life insurance	23,129	15,777
	1,089,880	968,998
	$ 3,303,862	$ 2,977,634

SUMMARY

Salaries and wages	$ 1,044,329	$ 968,058
Employee benefits	1,243,014	1,109,382
Professional fees	218,586	201,888
Other expense	797,933	698,306
	$ 3,303,862	$ 2,977,634

SUMMARY OF EXPENSES

Salaries and wages	$ 8,357,613	$ 8,372,638
Employee benefits	2,217,378	2,062,631
Professional fees	1,256,331	1,304,701
Other expense	4,213,158	4,123,742
	$ 16,044,480	$ 15,863,712

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	2008	2007	2006	2005	2004
Acute Care:					
Admissions	433	461	543	547	486
Discharges	430	459	544	554	485
Patient Days	1,387	1,594	1,719	1,927	1,498
Average Length of Stay	3.23	3.47	3.16	3.48	3.09
Average Occupied Beds	3.8	4.4	4.7	5.3	4.1
Swing Bed:					
Admissions	144	139	159	175	190
Discharges	147	145	162	175	183
SNF Days	1,268	1,637	1,562	1,987	1,735
ICF Days	132	141	182	207	263
Combined Average Occupied Beds	7.6	9.2	9.5	11.3	9.6
Nursery Days	125	130	160	170	132
Long-Term Care Patient Days	23,013	23,482	22,274	23,401	22,601
Outpatient Occasions of Service	23,842	24,576	25,623	24,741	24,413

See Independent Auditor's Report.

GREENE COUNTY MEDICAL CENTER
Comparative Balance Sheets
June 30,

	2008	2007
Current Assets:		
Cash	$ 1,081,149	$ 890,376
Receivables	4,204,773	4,453,217
Inventory	218,516	233,186
Prepaid expense	253,441	298,264
Estimated third-party payor settlements	251,000	--
Succeeding year property tax receivable	1,008,000	873,000
Internally designated assets	110,753	49,750
Total current assets	7,127,632	6,797,793
Other Assets:		
Internally designated and restricted assets, net	4,418,257	4,854,469
Capital assets, net	9,302,338	9,110,411
Notes receivable	325,000	53,160
Total other assets	14,045,595	14,018,040
	$ 21,173,227	$ 20,815,833
Current Liabilities:		
Accounts payable	$ 710,860	$ 271,176
Accrued expenses	955,470	1,011,285
Deferred grant revenue	7,604	7,604
Estimated third-party payor settlements	--	547,000
Deferred revenue for succeeding year property tax receivable	1,008,000	873,000
Total current liabilities	2,681,934	2,710,065
Net Assets	18,491,293	18,105,768
Total liabilities and net assets	$ 21,173,227	$ 20,815,833

See Independent Auditor's Report.

2006	2005	2004
$ 529,968	$ 1,564,250	$ 1,451,036
4,003,036	3,641,077	2,607,983
239,333	197,160	195,673
206,965	95,137	181,744
--	--	--
782,000	681,000	670,000
44,984	184,386	211,087
5,806,286	6,363,010	5,317,523
5,614,968	5,523,908	5,629,522
9,026,808	9,187,183	7,293,663
30,000	120,000	151,000
14,671,776	14,831,091	13,074,185
$ 20,478,062	$ 21,194,101	$ 18,391,708
$ 336,642	$ 360,207	$ 511,801
995,096	1,281,420	1,057,449
7,604	7,604	11,193
315,000	1,097,000	461,000
782,000	681,000	670,000
2,436,342	3,427,231	2,711,443
18,041,720	17,766,870	15,680,265
$ 20,478,062	$ 21,194,101	$ 18,391,708

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

	2008	2007
Patient Service Revenue	$ 18,132,673	$ 18,939,543
Adjustments to Patient Service Revenue	(3,099,132)	(3,589,588)
Net Patient Service Revenue	15,033,541	15,349,955
Other Revenue	438,578	420,027
Total Revenue	15,472,119	15,769,982
Expenses	17,146,900	16,831,990
Operating Loss	(1,674,781)	(1,062,008)
Non-Operating Revenue, Net	1,713,542	1,382,281
Excess of Revenues Over Expenses Before Capital Grants and Contributions, Scholarship Distributions, and Unusual Item	38,761	320,273
Capital Grants and Contributions	371,764	78,060
Medical Occupation Scholarship Distributions	(25,000)	(22,500)
Unusual Item	--	(311,785)
Increase in Net Assets	$ 385,525	$ 64,048

See Independent Auditor's Report.

2006	2005	2004
$ 17,605,984	$ 16,270,199	$ 13,962,811
(2,709,604)	(2,238,200)	(1,643,735)
14,896,380	14,031,999	12,319,076
440,584	334,149	475,542
15,336,964	14,366,148	12,794,618
16,365,862	15,179,689	13,702,555
(1,028,898)	(813,541)	(907,937)
1,251,946	1,149,932	1,112,261
223,048	336,391	204,324
74,302	1,767,714	130,173
(22,500)	(17,500)	(18,750)
--	--	--
$ 274,850	$ 2,086,605	$ 315,747

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, 2008, and have issued our report thereon dated December 8, 2008. 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, 2008 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.

Acorewold, Bell, Kyhm & Co. P.C.

Atlantic, Iowa
December 8, 2008

GREENE COUNTY MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2008

PART I - SIGNIFICANT DEFICIENCIES

08-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. This deficiency is common among most small rural hospitals.

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

08-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2008 did not exceed amounts budgeted.

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

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

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

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

08-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.

* * *