Greater Regional Medical Center
Creston, Iowa

FINANCIAL REPORT

June 30, 2008

C O N T E N T S

Greater Regional Medical Center
OFFICIALS
June 30, 2008

CHIEF EXECUTIVE OFFICER

Monte Neitzel

CHIEF FINANCIAL OFFICER

Dave Brokaw

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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, 2008 and 2007, 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, 2008 and 2007, 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 September 19, 2008 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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 19, 2008

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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, 2008 and 2007. 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 $5,731,556, or 15%, to $43,336,245
- Total noncurrent assets whose use is limited decreased by $1,126,662 to $7,596,793
- Total property and equipment increased by $7,171,740 to $25,772,049
- Total fund equity increased by $1,171,921 to $27,397,976
- Total long-term debt increased by $3,901,365 to $11,798,384
- Net patient service revenue increased by $2,253,006, or 9%
- Expenses increased by $2,472,498, or 10% to $27,275,371

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		
	2008	**2007**	**2006**
Current assets	$ 8,723,562	$ 9,069,409	$ 7,954,401
Noncurrent assets whose use is limited	7,596,793	8,723,455	9,127,229
Property and equipment	25,772,049	18,600,309	17,252,472
Other assets	1,243,841	1,211,516	1,220,646
Total assets	$43,336,245	$37,604,689	$35,554,748
Current liabilities	$ 3,832,897	$ 2,991,223	$ 3,189,582
Long-term debt, less current maturities	11,025,372	7,317,411	7,129,486
Other noncurrent liabilities	1,080,000	1,070,000	1,070,000
Total liabilities	$15,938,269	$11,378,634	$11,389,068
Invested in capital assets, net of related debt	$13,973,665	$10,703,290	$ 9,651,508
Restricted	755,310	733,708	707,226
Unrestricted	12,669,001	14,789,057	13,806,946
Total fund equity	$27,397,976	$26,226,055	$24,165,680

As depicted in Table 1, total assets increased in fiscal year 2008 to $43,336,245. The change in total assets resulted primarily from an increase in property and equipment due to costs incurred toward the Medical Center's construction project through June 30, 2008.

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		
	2008	**2007**	**2006**
Net patient service revenue	$26,151,957	$23,898,951	$21,295,950
Other revenue	1,655,627	1,690,503	1,585,780
Total revenue	27,807,584	25,589,454	22,881,730
Salaries	10,915,847	9,881,859	8,622,064
Supplies and expenses	14,546,402	13,132,871	11,205,427
Provision for depreciation	1,813,122	1,788,143	1,740,122
Total expenses	27,275,371	24,802,873	21,567,613
Operating income	532,213	786,581	1,314,117
County taxes	1,147,598	1,153,985	1,150,500
Investment income	407,751	491,644	288,800
Unrestricted contributions	–	3,500	3,000
Interest expense	(466,543)	(375,335)	(362,049)
Loss on disposal of property and equipment	(449,098)	–	–
Total nonoperating gains	639,708	1,273,794	1,080,251
Change in fund equity	1,171,921	2,060,375	2,394,368
Total fund equity, beginning	26,226,055	24,165,680	21,771,312
Total fund equity, ending	$27,397,976	$26,226,055	$24,165,680

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in fund equity between June 30, 2008 and 2007.

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 2008 were 1,259 compared to 1,255 in fiscal year 2007. Average length of stay increased slightly and patient days increased to 4,048 from 3,888 in 2007. Volume on the outpatient side increased in 2008. In 2008, gross outpatient charges increased to $29,962,998 compared to $25,390,224 in 2007.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2008. Overall, gross patient service revenue increased to $41,228,003 from $36,203,603 in 2007. Operating room, hospice, laboratory and blood service, CT scans, and anesthesiology reflected the most significant growth in 2008.

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 $15,076,046 in 2008 from $12,304,652 in 2007. This represents 37% and 34% of gross patient charges for 2008 and 2007, respectively.

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

Table 3
Payor Mix by Percentage

	Year ended June 30		
	2008	**2007**	**2006**
Medicare	44%	45%	49%
Medicaid	9	8	8
Commercial insurance	41	41	38
Patients	6	6	5
Totals	100%	100%	100%

Other Revenue

Other revenue decreased to $1,655,627 in 2008 compared to $1,690,503 in 2007. Other revenue consists primarily of rental income derived from Medical Arts Plaza and Crestridge Estates.

Expenses

Approximately 40% of the Medical Center's expenses are for salaries. Total salaries increased to $10,915,847 in 2008 from $9,881,859 in 2007. The Medical Center departments experiencing the most significant increase in 2008 included operating and recovery rooms, physical therapy, and Morning Star clinic.

Approximately 53% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 11% to $14,546,402 in 2008 from $13,132,871 in 2007. The Medical Center departments experiencing the most significant increases in 2008 included operating and recovery rooms, emergency room, and pharmacy.

Approximately 7% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to $1,813,122 in 2008 from $1,788,143 in 2007.

Nonoperating Gains (Losses)

Nonoperating gains (losses) decreased to $639,708 in 2008 from $1,273,794 in 2007, primarily due to loss on disposal of property and equipment.

Property and Equipment

At the end of 2008, the Medical Center had $25,772,049 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 2008, $9,589,190 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		
	2008	**2007**	**2006**
Land	$ 149,491	$ 149,491	$ 185,260
Land improvements	2,143,165	2,130,660	1,899,903
Building and improvements	5,970,697	6,575,205	6,086,997
Fixed equipment	5,235,196	5,178,532	4,991,375
Major movable equipment	10,565,880	9,645,608	9,044,142
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	10,135,842	1,608,705	513,984
Subtotal	44,809,761	35,897,691	33,331,151
Less accumulated depreciation	(19,037,712)	(17,297,382)	(16,078,679)
Net property and equipment	$25,772,049	$18,600,309	$17,252,472

Debt Administration

At year end, the Medical Center had $10,610,000 in current and long-term debt related to Hospital Revenue Bonds. This has increased in fiscal year 2008. This increase is the result of issuance of a Hospital Revenue Bond in 2008, offset by the required payments made on the outstanding bonds for fiscal year 2008. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 67% of the Medical Center's total liabilities as of year end.

At year end, the Medical Center had $1,188,384 in current and long-term notes payable, a decrease of $293,635 from 2007. This decrease is the result of required payments made on the outstanding notes for fiscal year 2008. 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 7% 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 2008 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	$ 1,147,598	$ 1,067,426	$ 80,172
Other revenues/receipts	32,715,335	28,916,911	3,798,424
	33,862,933	29,984,337	3,878,596
Expenses/expenditures	36,116,617	36,224,753	(108,136)
Net	$ (2,253,684)	$ (6,240,416)	$3,986,732

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

Economic and Other Factors and Next Year's Budget

The Medical Center's board and management considered many factors when setting the fiscal year 2009 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 2008	June 30 2007
CURRENT ASSETS		
Cash	$ 2,358,965	$ 2,654,180
Assets whose use is limited, required for current liabilities	436,154	330,877
Certificates of deposit	415,146	1,214,753
Patient receivables, less allowances for contractual adjustments and bad debts	3,970,760	3,656,714
Other receivables	101,411	155,541
Estimated third-party payor settlements	300,000	–
Inventories	662,171	625,087
Prepaid expenses	478,955	432,257
Total current assets	8,723,562	9,069,409
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	4,831,165	1,396,308
Certificates of deposit	2,116,989	5,059,881
U.S. Government Agency securities	325,000	1,830,000
Interest receivable	4,483	34,435
	7,277,637	8,320,624
Restricted for payment of long-term debt and interest		
Cash, debt service reserve fund	755,310	733,708
Total assets whose use is limited	8,032,947	9,054,332
Less assets whose use is limited and that are required for current liabilities	436,154	330,877
Noncurrent assets whose use is limited	7,596,793	8,723,455
PROPERTY AND EQUIPMENT	44,809,761	35,897,691
Less accumulated depreciation	19,037,712	17,297,382
Total property and equipment	25,772,049	18,600,309
OTHER ASSETS		
Unamortized financing costs	163,841	141,516
Succeeding year property tax receivable	1,080,000	1,070,000
Total other assets	1,243,841	1,211,516
Totals	$43,336,245	$37,604,689

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	June 30 2008	2007
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 773,012	$ 579,608
Accounts payable		
Trade	1,099,362	638,300
Construction	742,616	353,250
Accrued employee compensation	1,060,214	883,917
Payroll taxes and amounts withheld from employees	41,539	210,271
Accrued interest	116,154	25,877
Estimated third-party payor settlements	–	300,000
Total current liabilities	3,832,897	2,991,223
LONG-TERM DEBT, less current maturities	11,025,372	7,317,411
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	1,080,000	1,070,000
FUND EQUITY		
Invested in capital assets, net of related debt	13,973,665	10,703,290
Restricted	755,310	733,708
Unrestricted	12,669,001	14,789,057
Total fund equity	27,397,976	26,226,055
Totals	$43,336,245	$37,604,689

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

	Year ended June 30	
	2008	**2007**
NET PATIENT SERVICE REVENUE, net of provision for bad debts 2008 $1,505,176; 2007 $886,625	$26,151,957	$23,898,951
OTHER REVENUE	1,655,627	1,690,503
Total revenue	27,807,584	25,589,454
EXPENSES		
Nursing service	7,894,913	6,930,309
Other professional service	8,112,463	6,965,233
General service	2,044,826	2,016,372
Fiscal and administrative service and unassigned expenses	7,410,047	7,102,816
Provision for depreciation	1,813,122	1,788,143
Total expenses	27,275,371	24,802,873
Operating income	532,213	786,581
NONOPERATING GAINS (LOSSES)		
County taxes	1,147,598	1,153,985
Investment income	407,751	491,644
Unrestricted contributions	–	3,500
Interest expense	(466,543)	(375,335)
Loss on disposal of property and equipment	(449,098)	–
Total nonoperating gains (losses)	639,708	1,273,794
Change in fund equity	1,171,921	2,060,375
TOTAL FUND EQUITY		
Beginning	26,226,055	24,165,680
Ending	$27,397,976	$26,226,055

See Notes to Financial Statements.

Greater Regional 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	$25,537,911	$23,052,368
Cash paid to suppliers for goods and services	(14,583,724)	(13,497,966)
Cash paid to employees for services	(10,739,550)	(9,741,385)
Other operating revenue received	1,655,627	1,690,503
Net cash provided by operating activities	1,870,264	1,503,520
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	1,147,598	1,153,985
Contributions received	–	3,500
Net cash provided by noncapital financing activities	1,147,598	1,157,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(9,232,266)	(3,024,798)
Proceeds from sale of property and equipment	155,410	–
Proceeds from issuance of long-term debt	4,500,000	842,325
Principal payments on long-term debt	(598,635)	(546,270)
Interest paid on long-term debt	(366,329)	(367,164)
Net cash (used in) capital and related financing activities	(5,541,820)	(3,095,907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	437,703	485,132
Purchase of investments	(1,404,565)	(3,202,171)
Proceeds from maturities of investments	6,652,064	2,426,513
Net cash provided by (used in) investing activities	5,685,202	(290,526)
NET INCREASE (DECREASE) IN CASH	3,161,244	(725,428)
CASH		
Beginning	4,784,196	5,509,624
Ending	$ 7,945,440	$ 4,784,196

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2008	**2007**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 532,213	$ 786,581
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,813,122	1,788,143
Changes in assets and liabilities		
(Increase) in patient receivables	(314,046)	(466,583)
(Increase) decrease in other receivables	54,130	(125,207)
(Increase) in net estimated third-party payor settlements	(600,000)	(380,000)
(Increase) in inventories	(37,084)	(72,636)
(Increase) in prepaid expenses	(46,698)	(230,066)
Increase in accounts payable, trade	461,062	58,284
Increase in accrued employee compensation	176,297	140,474
Increase (decrease) in payroll taxes and amounts withheld from employees	(168,732)	4,530
Net cash provided by operating activities	$1,870,264	$1,503,520
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Per balance sheet		
Current assets, cash	$2,358,965	$2,654,180
Assets whose use is limited		
Designated by board for plant replacement and expansion, cash	4,831,165	1,396,308
Restricted for payment of long-term debt and interest, cash	755,310	733,708
Total per statement of cash flows	$7,945,440	$4,784,196

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:

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

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.

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

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

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.

NOTE 2 CASH AND INVESTMENTS

The Medical Center's deposits at June 30, 2008 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, 2008 are as follows:

Maturity	Fair value
November, 2008	$ 325,000

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:

	Year ended June 30	
	2008	2007
Medicare	$2,250,675	$1,538,525
Medicaid	446,431	486,083
Commercial insurance	3,181,175	2,262,271
Patients	672,479	1,369,835
Total patient receivables	6,550,760	5,656,714
Less allowances for contractual adjustments and bad debts	(2,580,000)	(2,000,000)
Net patient receivables	$3,970,760	$3,656,714

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, 2006.

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:

	June 30, 2008		June 30, 2007	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 149,491	$ –	$ 149,491	$ –
Land improvements	2,143,165	1,087,585	2,130,660	984,644
Building and improvements	5,970,697	2,705,840	6,575,205	2,535,835
Fixed equipment	5,235,196	4,159,641	5,178,532	3,960,555
Major movable equipment	10,565,880	7,825,109	9,645,608	7,083,684
Buildings leased to others	7,246,108	2,448,086	7,246,108	2,099,719
Crestridge Estates	3,363,382	811,451	3,363,382	632,945
Construction in progress	10,135,842	–	1,608,705	–
Totals	$44,809,761	$19,037,712	$35,897,691	$17,297,382

Construction in progress at June 30, 2008 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 and proceeds from issuance of long-term debt. At June 30, 2008 the Medical Center has $742,616 accrued as accounts payable-construction.

NOTE 5 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2008 follows:

	Beginning balance	Additions	Deletions	Ending balance
Land	$ 149,491	$ –	$ –	$ 149,491
Land improvements	2,130,660	12,505	–	2,143,165
Building and improvements	6,575,205	–	604,508	5,970,697
Fixed equipment	5,178,532	56,664	–	5,235,196
Major movable equipment	9,645,608	992,884	72,612	10,565,880
Buildings leased to others	7,246,108	–	–	7,246,108
Crestridge Estates	3,363,382	–	–	3,363,382
Construction in progress	1,608,705	8,527,137	–	10,135,842
Totals	35,897,691	9,589,190	677,120	44,809,761
Less accumulated depreciation	(17,297,382)	(1,813,122)	(72,792)	(19,037,712)
Net property and equipment	$18,600,309	$7,776,068	$ 604,328	$25,772,049

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

	Beginning balance	Additions	Deletions	Ending balance
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	(16,078,679)	(1,788,143)	(569,440)	(17,297,382)
Net property and equipment	$17,252,472	$1,383,606	$ 35,769	$18,600,309

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, 2008 and 2007 included $520,860 and $546,661, respectively, of aggregate rental income under the lease agreements.

NOTE 7 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2008	2007
Hospital Revenue Bond, Series 2008	$ 4,500,000	$ –
Hospital Revenue Bonds, Series 2002	6,110,000	6,415,000
Notes payable, equipment	779,931	1,055,084
Note payable, other	408,453	426,935
Total	11,798,384	7,897,019
Less current maturities	773,012	579,608
Long-term debt, net of current maturities	$11,025,372	$7,317,411

Hospital Revenue Bond, Series 2008

The Medical Center has issued Hospital Revenue Bond, Series 2008 in the original amount of $4,500,000. The Bond is payable solely from future revenues of the Medical Center and is due each January 1 and July 1 through 2028. Interest is payable at 4.9% until 2013 when it will be adjusted to 50 basis points above the annualized interest rate on five year United States Treasury Bonds. The rate will further be adjusted in 2018 and 2023 in a similar manner. At June 30, 2008, the remaining balance on this Bond is $4,500,000. The Bond contains a number of covenants regarding the operation of the Medical Center, and the Medical Center is in substantial compliance with those covenants.

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 4.2% to 5.4%. At June 30, 2008, the remaining balance on these Bonds is $6,110,000. 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.

As to the above Hospital Revenue Bonds, Series 2008 and Series 2002, the Medical Center has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The Bonds were issued to finance capital improvements of the Medical Center. The net revenues are pledged through July, 2028. As of June 30, 2008 the remaining principal and interest on the Series 2008 and Series 2002 bonds was $15,735,296. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2008 and 2007:

	Year ended June 30	
	2008	2007
Change in fund equity	$1,171,921	$2,060,375
Provision for depreciation	1,813,122	1,788,143
Interest expense	466,543	375,335
Pledged net revenues	$3,451,586	$4,223,853
Principal and interest requirements		
Hospital Revenue Bond, Series 2008	$ –	$ –
Hospital Revenue Bonds, Series 2002	615,525	616,730
Totals	$ 615,525	$ 616,730

NOTE 7 LONG-TERM DEBT (continued)

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, 2008, the remaining balance on this note is $35,326.

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, 2008, the remaining balance on this note is $134,344.

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, 2008, the remaining balance on this note is $610,261.

Note Payable, Other

The Medical Center has a note agreement requiring annual payments of $41,238, including interest at 5.4%, with the final payment due in June, 2022. At June 30, 2008, the remaining balance on this note is $408,453.

Maturities required on long-term debt are as follows:

Year ending June 30	Revenue Bond Series 2008	Revenue Bonds Series 2002	Notes payable, equipment	Note payable, other	Total principal	Interest	Total
2009	$ 153,328	$ 320,000	$ 280,112	$ 19,572	$ 773,012	$ 545,279	$ 1,318,291
2010	142,981	335,000	225,905	20,727	724,613	532,696	1,257,309
2011	150,073	350,000	179,742	21,950	701,765	501,793	1,203,558
2012	157,517	365,000	94,172	23,245	639,934	470,176	1,110,110
2013	164,793	380,000	–	24,616	569,409	443,708	1,013,117
2014 to 2018	957,490	2,185,000	–	146,660	3,289,150	1,889,017	5,178,167
2019 to 2023	1,219,810	2,175,000	–	151,683	3,546,493	745,643	4,292,136
2024 to 2028	1,554,008	–	–	–	1,554,008	217,002	1,771,010
Totals	4,500,000	6,110,000	779,931	408,453	11,798,384	5,345,314	17,143,698
Less current maturities	153,328	320,000	280,112	19,572	773,012	545,279	1,318,291
Total long-term debt	$4,346,672	$5,790,000	$ 499,819	$ 388,881	$11,025,372	$4,800,035	$15,825,407

A summary of changes in long-term debt for the year ended June 30, 2008 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
Hospital Revenue Bond, Series 2008	$ –	$4,500,000	$ –	$ 4,500,000	$ 153,328
Hospital Revenue Bonds, Series 2002	6,415,000	–	305,000	6,110,000	320,000
Notes payable, equipment	1,055,084	–	275,153	779,931	280,112
Note payable, other	426,935	–	18,482	408,453	19,572
Totals	$7,897,019	$4,500,000	$ 598,635	$11,798,384	$ 773,012

NOTE 7 LONG-TERM DEBT (continued)

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

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
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, other	444,387	–	17,452	426,935	18,482
Totals	$7,600,964	$ 842,325	$ 546,270	$7,897,019	$ 579,608

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.

For the year ended June 30, 2008 plan members were required to contribute 3.90% of their annual salary and the Medical Center is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were $641,180, $563,087 and $481,916, 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, 2008 and 2007.

	2008	2007
Charges foregone, based on established rates	$ 167,177	$ 197,837
Equivalent percentage of charity care patients to all patients served	.4%	.5%

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, 2008 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 and loss on disposal of property and equipment are not recorded as expenditures on the County Hospital budget basis and capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis.

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

	GAAP basis	Budget basis adjustments	Budget basis	County Hospital Budget
Amount to be raised by taxation	$ 1,147,598	$ –	$ 1,147,598	$ 1,067,426
Other revenues/receipts	27,299,694	5,415,641	32,715,335	28,916,911
	28,447,292	5,415,641	33,862,933	29,984,337
Expenses/expenditures	27,275,371	8,841,246	36,116,617	36,224,753
Net	1,171,921	(3,425,605)	(2,253,684)	(6,240,416)
Balance, beginning	26,226,055	(10,711,901)	15,514,154	10,327,663
Balance, ending	$27,397,976	$(14,137,506)	$13,260,470	$ 4,087,247

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 $2,800,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2008 and 2007 were $2,415,099 and $2,593,605, 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.

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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 2008 and 2007 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
September 19, 2008

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Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES

Age of accounts (by date of discharge)	Amounts June 30 2008	Amounts June 30 2007	Percent to total June 30 2008	Percent to total June 30 2007
0 – 30 days (includes patients in Medical Center at end of year)	$3,172,492	$3,036,628	48.43%	53.68%
31 – 60 days	1,103,458	971,263	16.84	17.17
61 – 90 days	653,023	465,254	9.97	8.23
91 – 120 days	358,379	361,611	5.47	6.39
Over 120 days	1,263,408	821,958	19.29	14.53
Totals	6,550,760	5,656,714	100.00%	100.00%
Allowances				
Contractual				
Medicare	1,140,000	880,000		
Medicaid	280,000	230,000		
Other	360,000	190,000		
Bad debts	800,000	700,000		
Total allowances	2,580,000	2,000,000		
Totals	$3,970,760	$3,656,714		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	$ 71,453	$ 65,477		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	56	56		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	Amounts Year ended June 30 2008	Amounts Year ended June 30 2007	Percent of net patient service revenue Year ended June 30 2008	Percent of net patient service revenue Year ended June 30 2007
BALANCE, beginning	$ 700,000	$ 630,000		
ADD				
Provision for bad debts	1,505,176	886,625	5.76%	3.71%
Recoveries of accounts previously written off	630,486	497,649	2.41	2.08
	2,835,662	2,014,274		
DEDUCT				
Accounts written off	2,035,662	1,314,274	7.78	5.50
BALANCE, ending	$ 800,000	$ 700,000		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2008, with comparative totals for 2007

	2008			2007
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	$ 2,398,208	$ –	$ 2,398,208	$ 2,338,018
Special care	106,100	–	106,100	77,730
Swing bed	541,800	–	541,800	501,350
Behavioral health	327,690	–	327,690	994,705
Cardiac monitors	75,600	3,500	79,100	112,875
Nursery	360,007	–	360,007	381,279
	3,809,405	3,500	3,812,905	4,405,957
OTHER NURSING SERVICES				
Same day surgery	–	38,540	38,540	40,890
Operating room	1,410,848	3,145,827	4,556,675	3,621,712
Recovery room	510,310	902,570	1,412,880	1,228,420
Delivery and labor rooms	344,750	–	344,750	363,200
Central services and supply	577,553	933,906	1,511,459	1,440,785
Emergency room	33,214	2,428,908	2,462,122	2,234,570
Outpatient clinics	–	1,307,151	1,307,151	1,129,762
Ambulance	–	780,964	780,964	745,368
Home health services	–	444,964	444,964	591,367
Outreach services	–	292,766	292,766	254,066
Hospice	–	1,382,420	1,382,420	540,144
	2,876,675	11,658,016	14,534,691	12,190,284
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	1,054,541	3,112,746	4,167,287	3,614,148
Electroencephalography	1,095	5,840	6,935	9,855
Electrocardiology	97,915	306,250	404,165	366,914
Cardiology and vascular testing	75,598	901,679	977,277	901,622
Radiology and ultrasound	228,554	2,718,572	2,947,126	2,977,994
Radiation therapy	7,995	1,056,384	1,064,379	779,647
Nuclear medicine	28,272	728,032	756,304	590,769
CT scans	360,285	2,639,271	2,999,556	2,461,015
Magnetic resonance imaging	25,459	959,024	984,483	1,019,018
Pharmacy and intravenous therapy	1,729,540	3,685,496	5,415,036	4,900,335
Anesthesiology	410,865	544,725	955,590	361,805
Respiratory therapy	496,898	243,031	739,929	746,456
Rehabilitation therapy	229,085	456,902	685,987	689,135
Cardiac rehabilitation	–	186,349	186,349	189,313
Lenox clinic	–	357,865	357,865	197,173
Morning Star clinic	–	399,316	399,316	–
	4,746,102	18,301,482	23,047,584	19,805,199
Totals	$11,432,182	$29,962,998	41,395,180	36,401,440
Charity care charges foregone, based on established rates			(167,177)	(197,837)
Total gross patient service revenue			41,228,003	36,203,603
Provisions for contractual adjustments and bad debts			(15,076,046)	(12,304,652)
Total net patient service revenue			$26,151,957	$23,898,951

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	Year ended June 30	
	2008	2007
Contractual adjustments		
Medicare	$ 8,208,880	$ 6,796,147
Medicaid	1,377,787	1,477,932
Other adjustments	3,984,203	3,143,948
Provision for bad debts	1,505,176	886,625
Totals	$15,076,046	$12,304,652

OTHER REVENUE

	Year ended June 30	
	2008	2007
Rental income		
Medical Arts Plaza	$ 520,860	$ 546,661
Crestridge Estates	525,042	538,504
Equipment	11,043	66,883
Pharmacy revenue, employees	182,910	170,926
Cafeteria sales	162,973	133,711
Meals on wheels	36,764	32,483
Sale of supplies and miscellaneous services to employees and others	47,699	35,900
Wellness	40,226	45,241
Lifeline	12,000	11,901
Miscellaneous	116,110	108,293
Totals	$1,655,627	$1,690,503

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2008, with comparative totals for 2007

	2008			2007
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	$ 102,238	$ 1,864	$ 104,102	$ 105,273
Medical and surgical	1,659,780	167,332	1,827,112	1,666,616
Special care	82,338	6,313	88,651	108,943
Obstetric nursing, delivery and labor rooms	464,914	73,581	538,495	503,742
Behavioral health	251,795	105,744	357,539	648,925
Operating and recovery rooms	770,108	629,577	1,399,685	942,434
Central services and supply	–	364,227	364,227	255,001
Emergency room	729,251	743,423	1,472,674	1,162,530
Outpatient clinics	133,738	40,199	173,937	153,751
Ambulance	97,280	63,767	161,047	152,293
Home health services	299,215	91,518	390,733	435,587
Outreach services	242,136	51,390	293,526	356,972
Hospice	400,089	323,096	723,185	438,242
Total nursing service	5,232,882	2,662,031	7,894,913	6,930,309
OTHER PROFESSIONAL SERVICE				
Laboratory	373,744	566,665	940,409	839,364
Pathology	–	37,287	37,287	3,962
Blood service	–	103,269	103,269	121,982
Electroencephalography	–	1,512	1,512	1,344
Electrocardiology	–	13	13	5
Cardiology and vascular testing	–	29,569	29,569	32,637
Radiology and ultrasound	602,161	321,913	924,074	917,045
Radiation therapy	99,999	354,024	454,023	323,840
Nuclear medicine	–	66,272	66,272	53,404
CT scans	–	112,854	112,854	107,637
Magnetic resonance imaging	–	216,740	216,740	206,880
Pharmacy	414,571	2,023,054	2,437,625	2,111,250
Intravenous therapy	–	45,087	45,087	31,890
Anesthesiology	–	199,727	199,727	141,913
Respiratory therapy	170,162	96,570	266,732	256,109
Rehabilitation therapy	441,426	108,918	550,344	478,336
Cardiac rehabilitation	54,487	18,073	72,560	61,854
Lenox clinic	175,707	141,887	317,594	262,614
Morning Star clinic	223,892	49,188	273,080	–
Medical Arts Plaza	–	141,874	141,874	116,620
Crestridge Estates	54,230	237,732	291,962	278,060
Creston Medical Clinic	–	11,015	11,015	31,374
Social services	58,382	923	59,305	67,314
Health information services	360,042	104,553	464,595	434,908
Quality assurance	83,397	11,544	94,941	84,891
Total other professional service	3,112,200	5,000,263	8,112,463	6,965,233

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2008, with comparative totals for 2007

	2008			2007
	Salaries	Other	Total	Total
GENERAL SERVICE				
Dietary	$ 571,908	$ 241,455	$ 813,363	$ 761,836
Plant operation	245,577	608,171	853,748	897,882
Housekeeping	248,456	57,829	306,285	280,691
Laundry	55,526	10,316	65,842	69,768
Linen	–	5,588	5,588	6,195
Total general service	1,121,467	923,359	2,044,826	2,016,372
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	370,755	212,762	583,517	574,024
Accounting	193,246	25,995	219,241	224,805
Human resources	110,878	104,120	214,998	175,664
Business office	462,432	43,051	505,483	483,020
Purchasing	138,872	47,126	185,998	174,916
Public relations	57,501	85,978	143,479	158,820
Telephone	–	55,811	55,811	37,540
Professional fees	–	175,020	175,020	150,285
Computer support	–	260,805	260,805	261,229
Collection fees	–	122,338	122,338	108,338
Receivables management fee	–	103,637	103,637	99,078
Dues and subscriptions	–	23,947	23,947	32,357
Travel and mileage	–	11,207	11,207	13,791
Publication fees	–	2,122	2,122	2,427
Physician recruitment	–	363,249	363,249	111,406
UNASSIGNED EXPENSES				
Wellness	96,217	14,864	111,081	107,289
Volunteer services	19,397	7,278	26,675	19,830
FICA	–	789,084	789,084	720,994
IPERS	–	641,180	641,180	563,087
Group health and life insurance	–	2,533,793	2,533,793	2,715,169
Workers' compensation insurance	–	169,052	169,052	177,867
Insurance	–	168,330	168,330	190,880
Total fiscal and administrative service and unassigned expenses	1,449,298	5,960,749	7,410,047	7,102,816
PROVISION FOR DEPRECIATION	–	1,813,122	1,813,122	1,788,143
Total expenses	$10,915,847	$16,359,524	$27,275,371	$24,802,873

Greater Regional Medical Center
COMPARATIVE STATISTICS

	Year ended June 30	
	2008	2007
PATIENT DAYS		
Medical, surgical and obstetrical	4,048	3,888
Behavioral health	332	1,016
Swing bed	1,215	1,113
Nursery	496	529
Totals	6,091	6,546
DISCHARGES		
Medical, surgical and obstetrical	1,259	1,255
Behavioral health	53	146
Swing bed	120	121
Nursery	249	248
Totals	1,681	1,770
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	3.22	3.10
Behavioral health	6.26	6.96
Swing bed	10.13	9.20
Nursery	1.99	2.13

DENMAN
& Company, LLP
Certified Public Accountants and Business Consultants

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, 2008, and have issued our report thereon dated September 19, 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 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.

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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, 2008 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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 19, 2008

Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2008

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, 2008

Part II—Findings Related to Required Statutory Reporting

08-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, 2008.

08-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

08-II-C TRAVEL EXPENSES

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

08-II-D BUSINESS TRANSACTIONS

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

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