Greater Regional Medical Center
Creston, Iowa

FINANCIAL REPORT

June 30, 2009

C O N T E N T S

Greater Regional Medical Center
OFFICIALS
June 30, 2009

BOARD OF TRUSTEES

	Expiration of term
Officers	
Dave Driskell, Chair	December 31, 2012
Dennis Nelson, Vice Chair	December 31, 2012
Carolyn Dillenburg, Secretary	December 31, 2014
Tom Dunphy, Treasurer	December 31, 2010
Members	
Jack Davis	December 31, 2012
Sherry McKie	December 31, 2014
Lores Stewart	December 31, 2010

CHIEF EXECUTIVE OFFICER

Monte Neitzel

CHIEF FINANCIAL OFFICER

Matt McCutchan

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, 2009 and 2008, and its component unit, Greater Regional Healthcare Foundation, as of June 30, 2009, 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 and Foundation'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, 2009 and 2008, and its component unit, Greater Regional Healthcare Foundation, as of June 30, 2009, 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 25, 2009 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 accounting principles generally accepted in the United States of America. 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 25, 2009

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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, 2009 and 2008. 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 $3,195,344, or 7%, to $46,531,589
- Total noncurrent assets whose use is limited decreased by $2,574,808 to $5,021,985
- Total property and equipment increased by $3,191,238 to $28,963,287
- Total fund equity increased by $3,592,287 to $30,990,263
- Total long-term debt decreased by $773,014 to $11,025,370
- Net patient service revenue increased by $4,565,253, or 17%, to $30,717,210
- Expenses increased by $3,927,685, or 14%, to $31,203,056

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		
	2009	**2008**	**2007**
Current assets	$11,313,434	$ 8,723,562	$ 9,069,409
Noncurrent assets whose use is limited	5,021,985	7,596,793	8,723,455
Property and equipment	28,963,287	25,772,049	18,600,309
Other assets	1,232,883	1,243,841	1,211,516
Total assets	$46,531,589	$43,336,245	$37,604,689
Current liabilities	$ 4,143,567	$ 3,832,897	$ 2,991,223
Long-term debt, less current maturities	10,300,759	11,025,372	7,317,411
Other noncurrent liabilities	1,097,000	1,080,000	1,070,000
Total liabilities	$15,541,326	$15,938,269	$11,378,634
Invested in capital assets, net of related debt	$17,937,917	$13,973,665	$10,703,290
Restricted	623,208	755,310	733,708
Unrestricted	12,429,138	12,669,001	14,789,057
Total fund equity	$30,990,263	$27,397,976	$26,226,055

As depicted in Table 1, total assets increased in fiscal year 2009 to $46,531,589. The change in total assets is primarily a result of continuing operating income and transfer from related foundation.

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		
	2009	**2008**	**2007**
Net patient service revenue	$30,717,210	$26,151,957	$23,898,951
Other revenue	1,745,018	1,655,627	1,690,503
Total revenue	32,462,228	27,807,584	25,589,454
Salaries	11,979,609	10,915,847	9,881,859
Supplies and expenses	16,830,883	14,546,402	13,132,871
Provision for depreciation	2,392,564	1,813,122	1,788,143
Total expenses	31,203,056	27,275,371	24,802,873
Operating income	1,259,172	532,213	786,581
County taxes	1,153,342	1,147,598	1,153,985
Investment income	191,634	407,751	491,644
Interest expense	(571,374)	(466,543)	(375,335)
Loss on disposal of property and equipment	–	(449,098)	–
Transfer from related foundation	1,559,513	–	3,500
Total nonoperating gains	2,333,115	639,708	1,273,794
Change in fund equity	3,592,287	1,171,921	2,060,375
Total fund equity, beginning	27,397,976	26,226,055	24,165,680
Total fund equity, ending	$30,990,263	$27,397,976	$26,226,055

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in fund equity between June 30, 2009 and 2008.

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 2009 were 1,177 compared to 1,259 in fiscal year 2008. Average length of stay decreased slightly and patient days decreased to 3,617 from 4,048 in 2008. Volume on the outpatient side increased in 2009. In 2009, gross outpatient charges increased to $36,700,735 compared to $29,962,498 in 2008.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2009. Overall, gross patient service revenue increased to $47,071,847 from $41,228,003 in 2008. Operating room, recovery room, emergency room and radiation therapy reflected the most significant growth in 2009.

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 $16,354,637 in 2009 from $15,076,046 in 2008. This represents 35% and 37% of gross patient charges for 2009 and 2008, 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		
	2009	**2008**	**2007**
Medicare	42%	44%	45%
Medicaid	9	9	8
Commercial insurance	44	41	41
Patients	5	6	6
Totals	100%	100%	100%

Other Revenue

Other revenue increased to $1,745,018 in 2009 compared to $1,655,627 in 2008. Other revenue consists primarily of rental income derived from Medical Arts Plaza and Crestridge Estates.

Expenses

Approximately 38% of the Medical Center's expenses are for salaries. Total salaries increased to $11,979,609 in 2009 from $10,915,847 in 2008. The Medical Center departments experiencing the most significant increase in 2009 included operating and recovery rooms, hospice, radiation therapy, and Morning Star clinic.

Approximately 54% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 16% to $16,830,883 in 2009 from $14,546,402 in 2008. The Medical Center departments experiencing the most significant increases in 2009 included radiology and ultrasound, radiation therapy, Morning Star clinic, and group health and life insurance.

Approximately 8% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to $2,392,564 in 2009 from $1,813,122 in 2008.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to $2,333,115 in 2009 from $639,708 in 2008, primarily due to transfer from related foundation.

Property and Equipment

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

Table 4
Property and Equipment

	June 30		
	2009	**2008**	**2007**
Land	$ 149,491	$ 149,491	$ 149,491
Land improvements	3,216,281	2,143,165	2,130,660
Building and improvements	18,984,244	5,970,697	6,575,205
Fixed equipment	5,328,149	5,235,196	5,178,532
Major movable equipment	11,691,059	10,565,880	9,645,608
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	224,949	10,135,842	1,608,705
Subtotal	50,203,663	44,809,761	35,897,691
Less accumulated depreciation	(21,240,376)	(19,037,712)	(17,297,382)
Net property and equipment	$28,963,287	$25,772,049	$18,600,309

At the end of 2009, the Hospital had $28,963,287 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 2009, $4,247,139 was spent to acquire property and equipment, including approximately $3.1 million related to the completion of a $13 million renovation and addition to the Medical Center primarily relating to the emergency room and cancer center. Construction in progress at year end consists primarily of master facility planning costs for future construction and renovation of the Medical Center.

Debt Administration

At year end, the Medical Center had $10,136,672 in current and long-term debt related to Hospital Revenue Bonds, a decrease of $473,328 from 2008. This decrease is the result of the required payments made on the outstanding bonds for fiscal year 2009. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 65% of the Medical Center's total liabilities as of year end.

At year end, the Medical Center had $888,698 in current and long-term notes payable, a decrease of $299,686 from 2008. This decrease is the result of required payments made on the outstanding notes for fiscal year 2009. 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 6% 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 2009 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs County Hospital Budget

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	$ 1,153,342	$ 1,079,567	$ 73,775
Other revenues/receipts	34,213,375	35,016,063	(802,688)
	35,366,717	36,095,630	(728,913)
Expenses/expenditures	34,179,169	39,355,518	(5,176,349)
Net	$ 1,187,548	$ (3,259,888)	$4,447,436

Actual other revenues/receipts results were lower than County Hospital budget. Expenses/expenditures were lower than County Hospital budget primarily due to less construction costs.

Economic and Other Factors and Next Year's Budget

The Medical Center's board and management considered many factors when setting the fiscal year 2010 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
June 30, 2009 and 2008

ASSETS	Greater Regional Medical Center 2009	Greater Regional Medical Center 2008	Greater Regional Healthcare Foundation 2009
CURRENT ASSETS			
Cash	$ 4,791,784	$ 2,358,965	$ 75,110
Assets whose use is limited, required for current liabilities	464,338	436,154	–
Certificates of deposit	415,146	415,146	–
Investments	–	–	82,854
Patient receivables, less allowances for contractual adjustments and bad debts	3,405,694	3,970,760	–
Other receivables	522,900	101,411	–
Contributions receivable, current portion	–	–	169,490
Estimated third-party payor settlements	500,000	300,000	–
Inventories	721,785	662,171	–
Prepaid expenses	491,787	478,955	–
Total current assets	11,313,434	8,723,562	327,454
ASSETS WHOSE USE IS LIMITED			
Designated by board for plant replacement and expansion			
Cash	2,104,982	4,831,165	–
Certificates of deposit	2,746,448	2,116,989	–
U.S. Government Agency securities	–	325,000	–
Interest receivable	11,685	4,483	–
	4,863,115	7,277,637	–
Restricted for payment of long-term debt and interest			
Cash, debt service reserve fund	623,208	755,310	–
Total assets whose use is limited	5,486,323	8,032,947	–
Less assets whose use is limited and that are required for current liabilities	464,338	436,154	–
Noncurrent assets whose use is limited	5,021,985	7,596,793	–
PROPERTY AND EQUIPMENT	50,203,663	44,809,761	–
Less accumulated depreciation	21,240,376	19,037,712	–
Total property and equipment	28,963,287	25,772,049	–
OTHER ASSETS			
Contributions receivable, less current portion	–	–	85,466
Unamortized financing costs	152,883	163,841	–
Succeeding year property tax receivable	1,080,000	1,080,000	–
Total other assets	1,232,883	1,243,841	85,466
Totals	$46,531,589	$43,336,245	$ 412,920

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	Greater Regional Medical Center 2009	Greater Regional Medical Center 2008	Greater Regional Healthcare Foundation 2009
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 724,611	$ 773,012	$ –
Accounts payable			
Trade	1,189,628	1,099,362	–
Construction	519,766	742,616	–
Accrued employee compensation	1,144,916	1,060,214	–
Payroll taxes and amounts withheld from employees	135,308	41,539	–
Accrued interest	129,338	116,154	16,159
Estimated third-party payor settlements	300,000	–	–
Total current liabilities	4,143,567	3,832,897	16,159
LONG-TERM LIABILITIES			
Long-term debt, less current maturities	10,300,759	11,025,372	290,000
Deferred revenue for succeeding year property tax receivable	1,080,000	1,080,000	–
Other long-term liability	17,000	–	–
Total long-term liabilities	11,397,759	12,105,372	290,000
FUND EQUITY			
Invested in capital assets, net of related debt	17,937,917	13,973,665	–
Restricted	623,208	755,310	–
Unrestricted	12,429,138	12,669,001	106,761
Total fund equity	30,990,263	27,397,976	106,761
Totals	$46,531,589	$43,336,245	$ 412,920

Greater Regional Medical Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
Year ended June 30, 2009 and 2008

	Greater Regional Medical Center		Greater Regional Healthcare Foundation
	2009	**2008**	**2009**
NET PATIENT SERVICE REVENUE, net of provision for bad debts 2009 $1,521,840; 2008 $1,505,176	$30,717,210	$26,151,957	$ –
OTHER REVENUE	1,745,018	1,655,627	39,972
Total revenue	32,462,228	27,807,584	39,972
EXPENSES			
Nursing service	8,615,708	7,894,913	–
Other professional service	9,439,568	8,112,463	–
General service	2,291,812	2,044,826	–
Fiscal and administrative service and unassigned expenses	8,463,404	7,410,047	11,999
Provision for depreciation	2,392,564	1,813,122	–
Total expenses	31,203,056	27,275,371	11,999
Operating income	1,259,172	532,213	27,973
NONOPERATING GAINS (LOSSES)			
County taxes	1,153,342	1,147,598	–
Investment income	191,634	407,751	1,458
Unrealized (loss) on investments	–	–	(20,338)
Contributions	–	–	10,900
Interest expense	(571,374)	(466,543)	(16,159)
Loss on disposal of property and equipment	–	(449,098)	–
Transfer from related foundation, (to) Medical Center	1,559,513	–	(1,559,513)
Total nonoperating gains (losses)	2,333,115	639,708	(1,583,652)
Change in fund equity	3,592,287	1,171,921	(1,555,679)
TOTAL FUND EQUITY			
Beginning	27,397,976	26,226,055	1,662,440
Ending	$30,990,263	$27,397,976	$ 106,761

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS
Year ended June 30, 2009 and 2008

	Greater Regional Medical Center 2009	Greater Regional Medical Center 2008	Greater Regional Healthcare Foundation 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from patients and third-party payors	$31,382,276	$25,537,911	$ –
Cash paid to suppliers for goods and services	(17,123,783)	(14,583,724)	(11,999)
Cash paid to employees for services	(11,894,907)	(10,739,550)	–
Other operating revenue received	1,745,018	1,655,627	39,972
Net cash provided by operating activities	4,108,604	1,870,264	27,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
County taxes received	1,153,342	1,147,598	–
Net cash provided by noncapital financing activities	1,153,342	1,147,598	–
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of property and equipment	(4,247,139)	(9,232,266)	(513,585)
Contributions received	–	–	306,522
Proceeds from sale of property and equipment	–	155,410	–
Proceeds from issuance of long-term debt	–	4,500,000	400,000
Principal payments on long-term debt	(773,014)	(598,635)	(160,000)
Interest paid on long-term debt	(547,232)	(366,329)	–
Net cash provided by (used in) capital and related financing activities	(5,567,385)	(5,541,820)	32,937
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	184,432	437,703	1,457
Purchase of investments	(2,099,112)	(1,404,565)	(21,314)
Proceeds from maturities of investments	1,794,653	6,652,064	–
Net cash provided by (used in) investing activities	(120,027)	5,685,202	(19,857)
NET INCREASE (DECREASE) IN CASH	(425,466)	3,161,244	41,053
CASH			
Beginning	7,945,440	4,784,196	34,057
Ending	$ 7,519,974	$ 7,945,440	$ 75,110

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)
Year ended June 30, 2009 and 2008

	Greater Regional Medical Center 2009	Greater Regional Medical Center 2008	Greater Regional Healthcare Foundation 2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$1,259,172	$ 532,213	$ 27,973
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,392,564	1,813,122	–
Changes in assets and liabilities			
(Increase) decrease in patient receivables	565,066	(314,046)	–
(Increase) decrease in other receivables	(421,489)	54,130	–
(Increase) decrease in net estimated third-party payor settlements	100,000	(600,000)	–
(Increase) in inventories	(59,614)	(37,084)	–
(Increase) in prepaid expenses	(12,832)	(46,698)	–
Increase in accounts payable, trade	90,266	461,062	–
Increase in accrued employee compensation	84,702	176,297	–
Increase (decrease) in payroll taxes and amounts withheld from employees	93,769	(168,732)	–
Increase in other long-term liability	17,000	–	–
Net cash provided by operating activities	$4,108,604	$1,870,264	$ 27,973
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET			
Per balance sheet			
Current assets, cash	$4,791,784	$2,358,965	$ 75,110
Assets whose use is limited			
Designated by board for plant replacement and expansion, cash	2,104,982	4,831,165	–
Restricted for payment of long-term debt and interest, cash	623,208	755,310	–
Total per statement of cash flows	$7,519,974	$7,945,440	$ 75,110
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITES			
Property and equipment transferred from related foundation to Medical Center	$1,559,513	$ –	$1,559,513

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 one component unit which meets the Governmental Accounting Standards Board criteria for the year ended June 30, 2009. This component unit is Greater Regional Healthcare Foundation.

The Foundation is a legally separate nonprofit corporation. The Medical Center does not appoint a voting majority of the Foundation's Board of Directors or in any way impose its will over the Foundation. The accounts and transactions of the Foundation are included by discrete presentation within these financial statements as required by accounting principles generally accepted in the United States of America.

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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions are recorded as receivables and contribution support in the year received.

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

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.

The Foundation carries investments in marketable securities with readily determinable fair values and at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in fund equity in the accompanying statements of revenues, expenses, and changes in fund equity.

Inventories

Inventories are stated at average 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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income Taxes

The Foundation is exempt from federal income taxes under applicable provisions of the Internal Revenue Code.

NOTE 2 CASH AND INVESTMENTS

The Medical Center's deposits at June 30, 2009 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.

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.

At June 30, 2009, the Foundation's investments consisted of mutual funds of $82,854.

NOTE 3 PATIENT RECEIVABLES

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

	Year ended June 30	
	2009	2008
Medicare	$1,799,593	$2,250,675
Medicaid	420,827	446,431
Commercial insurance	3,137,178	3,181,175
Patients	678,096	672,479
Total patient receivables	6,035,694	6,550,760
Less allowances for contractual adjustments and bad debts	(2,630,000)	(2,580,000)
Net patient receivables	$3,405,694	$3,970,760

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation conducts ongoing campaigns to provide support for the operations of the Foundation. Contributions receivable represent unconditional promises to give as follows:

	June 30, 2009
Unconditional promises to give	$ 299,956
Less allowance for uncollectible promises	45,000
Net contributions receivable	$ 254,956

The contributions receivable are due as follows:

Less than one year	$ 169,490
One to five years	85,466
Total contributions receivable	$ 254,956

NOTE 5 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, 2007.

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 6 PROPERTY AND EQUIPMENT

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

	June 30, 2009		June 30, 2008	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 149,491	$ –	$ 149,491	$ –
Land improvements	3,216,281	1,230,304	2,143,165	1,087,585
Building and improvements	18,984,244	3,311,322	5,970,697	2,705,840
Fixed equipment	5,328,149	4,351,193	5,235,196	4,159,641
Major movable equipment	11,691,059	8,707,824	10,565,880	7,825,109
Buildings leased to others	7,246,108	2,664,188	7,246,108	2,448,086
Crestridge Estates	3,363,382	975,545	3,363,382	811,451
Construction in progress	224,949	–	10,135,842	–
Totals	$50,203,663	$21,240,376	$44,809,761	$19,037,712

During the year ended June 30, 2009, the Medical Center completed a $13 million renovation and addition, including equipment, primarily relating to the emergency room and cancer center. Construction in progress at year end consists primarily of master facility planning costs for potential future construction and renovation of the Medical Center. At June 30, 2009 the Medical Center has $519,766 accrued as accounts payable-construction.

A summary of changes in property and equipment for the year ended June 30, 2009 follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
Land	$ 149,491	$ –	$ –	$ –	$ 149,491
Land improvements	2,143,165	55,460	–	1,017,656	3,216,281
Building and improvements	5,970,697	1,368,630	–	11,644,917	18,984,244
Fixed equipment	5,235,196	19,240	–	73,713	5,328,149
Major movable equipment	10,565,880	1,085,941	189,900	229,138	11,691,059
Buildings leased to others	7,246,108	–	–	–	7,246,108
Crestridge Estates	3,363,382	–	–	–	3,363,382
Construction in progress	10,135,842	3,054,531	–	(12,965,424)	224,949
Totals	44,809,761	5,583,802	189,900	–	50,203,663
Less accumulated depreciation	(19,037,712)	(2,392,564)	(189,900)	–	(21,240,376)
Net property and equipment	$25,772,049	$3,191,238	$ –	$ –	$28,963,287

NOTE 6 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

NOTE 7 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, 2009 and 2008 included $536,768 and $520,860, respectively, of aggregate rental income under the lease agreements.

NOTE 8 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2009	2008
Hospital Revenue Bond, Series 2008	$ 4,346,672	$ 4,500,000
Hospital Revenue Bonds, Series 2002	5,790,000	6,110,000
Notes payable, equipment	499,817	779,931
Note payable, other	388,881	408,453
Total	11,025,370	11,798,384
Less current maturities	724,611	773,012
Long-term debt, net of current maturities	$10,300,759	$11,025,372

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, 2009, the remaining balance on this Bond is $4,346,672. 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.

NOTE 8 LONG-TERM DEBT (continued)

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 4.35% to 5.4%. At June 30, 2009, the remaining balance on these Bonds is $5,790,000. 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, 2009 the remaining principal and interest on the Series 2008 and Series 2002 bonds was $14,763,222. 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, 2009 and 2008:

	Year ended June 30	
	2009	**2008**
Change in fund equity	$3,592,287	$1,171,921
Provision for depreciation	2,392,564	1,813,122
Interest expense, Hospital Revenue Bonds, Series 2008 and Series 2002	525,724	400,802
Pledged net revenues	$6,510,575	$3,385,845
Principal and interest requirements		
Hospital Revenue Bond, Series 2008	$ 367,996	$ –
Hospital Revenue Bonds, Series 2002	617,873	615,525
Totals	$ 985,869	$ 615,525

Notes Payable, Equipment

The Medical Center has a 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, 2009, the remaining balance on this note is $53,989.

The Medical Center has a second 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, 2009, the remaining balance on this note is $445,828.

NOTE 8 LONG-TERM DEBT (continued)

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, 2009, the remaining balance on this note is $388,881.

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
2010	$ 142,981	$ 335,000	$ 225,903	$ 20,727	$ 724,611	$ 532,696	$ 1,257,307
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	173,503	400,000	–	26,069	599,572	406,476	1,006,048
2015 to 2019	1,004,982	2,290,000	–	155,313	3,450,295	1,803,424	5,253,719
2020 to 2024	1,280,312	1,670,000	–	116,961	3,067,273	497,465	3,564,738
2025 to 2028	1,272,511	–	–	–	1,272,511	144,297	1,416,808
Totals	4,346,672	5,790,000	499,817	388,881	11,025,370	4,800,035	15,825,405
Less current maturities	142,981	335,000	225,903	20,727	724,611	532,696	1,257,307
Total long-term debt	$4,203,691	$5,455,000	$ 273,914	$ 368,154	$10,300,759	$4,267,339	$14,568,098

A summary of changes in long-term debt for the year ended June 30, 2009 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
Hospital Revenue Bond, Series 2008	$ 4,500,000	$ –	$ 153,328	$ 4,346,672	$ 142,981
Hospital Revenue Bonds, Series 2002	6,110,000	–	320,000	5,790,000	335,000
Notes payable, equipment	779,931	–	280,114	499,817	225,903
Note payable, other	408,453	–	19,572	388,881	20,727
Totals	$11,798,384	$ –	$ 773,014	$11,025,370	$ 724,611

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 8 LONG-TERM DEBT (continued)

The Foundation has issued a note payable in the original amount of $450,000. The note is due October, 2011 including interest at 4.34%. The note is secured by contribution receivables. The remaining balance at June 30, 2009 is $290,000.

A summary of changes in the Foundation's long-term debt for the year ended June 30, 2009 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
Note payable	$ 50,000	$ 400,000	$ 160,000	$ 290,000	$ –

NOTE 9 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, 2009 regular plan members were required to contribute 4.1% of their annual salary and the Medical Center is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were $751,099, $641,180 and $563,087, respectively, equal to the required contributions for each year.

NOTE 10 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, 2009 and 2008.

	2009	2008
Charges foregone, based on established rates	$ 273,146	$ 167,177
Equivalent percentage of charity care patients to all patients served	.6%	.4%

NOTE 11 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.

NOTE 11 MALPRACTICE CLAIMS (continued)

Incidents occurring through June 30, 2009 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 12 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

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

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	$ 1,153,342	$ –	$ 1,153,342	$ 1,079,567
Other revenues/receipts	33,642,001	571,374	34,213,375	35,016,063
	34,795,343	571,374	35,366,717	36,095,630
Expenses/expenditures	31,203,056	2,976,113	34,179,169	39,355,518
Net	3,592,287	(2,404,739)	1,187,548	(3,259,888)
Balance, beginning	27,397,976	(16,169,061)	11,228,915	15,325,206
Balance, ending	$30,990,263	$(18,573,800)	$12,416,463	$12,065,318

NOTE 13 MEDICAL BENEFIT PLAN

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, 2009 and 2008 were $3,041,113 and $2,415,099, respectively, included in fiscal and administrative and unassigned expenses.

NOTE 14 OTHER POST EMPLOYMENT BENEFITS

The Medical Center has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The Medical Center operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses and dependents. There are 249 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (continued)

The medical/prescription drug and dental benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Medical Center. The Medical Center currently finances the retiree benefit plan on a pay-as-you-go basis.

The Medical Center's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Medical Center, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Medical Center's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

Annual required contribution, ARC	$ 37,000
Interest on net OPEB obligation	–
Adjustment to annual required contribution	–
Annual OPEB cost	37,000
Contributions made	20,000
Increase in net OPEB obligation	17,000
Net OPEB obligation, beginning of year	–
Net OPEB obligation, end of year	$ 17,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the Medical Center contributed $20,000 to the plan. The Medical Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2009	$ 37,000	54%	$ 17,000

As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $251,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of $251,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $10,026,000, and the ratio of the UAAL to the covered payroll was 2.5%. As of June 30, 2009, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Following is a Schedule of Funding Progress for the Plan for the initial year of adoption of GASB Statement No. 45:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
7/1/2008	$ –	$ 251,000	$ 251,000	0%	$10,026,000	2.5%

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the Medical Center's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately $1,100 per month for retirees. The salary increase rate was assumed to be 5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 15 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 and its component unit, Greater Regional Healthcare Foundation for 2009 and 2008 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 25, 2009

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Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES

Age of accounts (by date of discharge)	Amounts June 30 2009	Amounts June 30 2008	Percent to total June 30 2009	Percent to total June 30 2008
0 – 30 days (includes patients in Medical Center at end of year)	$3,149,741	$3,172,492	52.19%	48.43%
31 – 60 days	1,080,941	1,103,458	17.91	16.84
61 – 90 days	502,373	653,023	8.32	9.97
91 – 120 days	300,635	358,379	4.98	5.47
Over 120 days	1,002,004	1,263,408	16.60	19.29
Totals	6,035,694	6,550,760	100.00%	100.00%
Allowances				
Contractual				
Medicare	930,000	1,140,000		
Medicaid	260,000	280,000		
Other	480,000	360,000		
Bad debts	960,000	800,000		
Total allowances	2,630,000	2,580,000		
Totals	$3,405,694	$3,970,760		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	$ 84,157	$ 71,453		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	40	56		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	Amounts Year ended June 30 2009	Amounts Year ended June 30 2008	Percent of net patient service revenue Year ended June 30 2009	Percent of net patient service revenue Year ended June 30 2008
BALANCE, beginning	$ 800,000	$ 700,000		
ADD				
Provision for bad debts	1,521,840	1,505,176	4.95%	5.76%
Recoveries of accounts previously written off	611,852	630,486	1.99	2.41
	2,933,692	2,835,662		
DEDUCT				
Accounts written off	1,973,692	2,035,662	6.43	7.78
BALANCE, ending	$ 960,000	$ 800,000		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2009, with comparative totals for 2008

	2009			2008
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	$ 2,454,580	$ –	$ 2,454,580	$ 2,398,208
Special care	120,455	–	120,455	106,100
Swing bed	442,350	–	442,350	541,800
Behavioral health	–	–	–	327,690
Cardiac monitors	36,050	700	36,750	79,100
Nursery	323,883	–	323,883	360,007
	3,377,318	700	3,378,018	3,812,905
OTHER NURSING SERVICES				
Same day surgery	–	–	–	38,540
Operating room	1,930,147	4,716,696	6,646,843	4,556,675
Recovery room	637,000	1,403,815	2,040,815	1,412,880
Delivery and labor rooms	377,419	–	377,419	344,750
Central services and supply	141,960	622,872	764,832	1,511,459
Emergency room	23,597	3,222,130	3,245,727	2,462,122
Outpatient clinics	–	1,047,852	1,047,852	1,307,151
Ambulance	–	804,258	804,258	780,964
Home health services	–	528,242	528,242	444,964
Outreach services	–	300,387	300,387	292,766
Hospice	–	1,867,056	1,867,056	1,382,420
	3,110,123	14,513,308	17,623,431	14,534,691
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	987,960	3,402,246	4,390,206	4,167,287
Electroencephalography	–	8,030	8,030	6,935
Electrocardiology	68,739	261,332	330,071	404,165
Cardiology and vascular testing	109,669	854,529	964,198	977,277
Radiology and ultrasound	201,156	2,730,322	2,931,478	2,947,126
Radiation therapy	23,691	3,320,134	3,343,825	1,064,379
Nuclear medicine	50,901	798,604	849,505	756,304
CT scans	347,620	2,914,661	3,262,281	2,999,556
Magnetic resonance imaging	19,822	1,229,501	1,249,323	984,483
Pharmacy and intravenous therapy	1,457,382	3,589,292	5,046,674	5,415,036
Anesthesiology	332,815	661,420	994,235	955,590
Respiratory therapy	396,163	426,404	822,567	739,929
Rehabilitation therapy	160,899	574,785	735,684	685,987
Cardiac rehabilitation	–	211,274	211,274	186,349
Lenox clinic	–	371,784	371,784	357,865
Morning Star clinic	–	832,409	832,409	399,316
	4,156,817	22,186,727	26,343,544	23,047,584
Totals	$10,644,258	$36,700,735	47,344,993	41,395,180
Charity care charges foregone, based on established rates			(273,146)	(167,177)
Total gross patient service revenue			47,071,847	41,228,003
Provisions for contractual adjustments and bad debts			(16,354,637)	(15,076,046)
Total net patient service revenue			$30,717,210	$26,151,957

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	Year ended June 30	
	2009	2008
Contractual adjustments		
Medicare	$ 7,480,331	$ 8,208,880
Medicaid	1,904,037	1,377,787
Other adjustments	5,448,429	3,984,203
Provision for bad debts	1,521,840	1,505,176
Totals	$16,354,637	$15,076,046

OTHER REVENUE

	Year ended June 30	
	2009	2008
Rental income		
Medical Arts Plaza	$ 536,768	$ 520,860
Crestridge Estates	554,183	525,042
Equipment	42,590	11,043
Pharmacy revenue, employees	237,795	182,910
Cafeteria sales	170,559	162,973
Meals on wheels	25,876	36,764
Sale of supplies and miscellaneous services to employees and others	45,288	47,699
Wellness	42,689	40,226
Lifeline	12,000	12,000
Miscellaneous	77,270	116,110
Totals	$1,745,018	$1,655,627

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2009, with comparative totals for 2008

	2009			2008
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	$ 105,799	$ 4,053	$ 109,852	$ 104,102
Medical and surgical	1,711,792	175,096	1,886,888	1,827,112
Special care	84,581	4,824	89,405	88,651
Obstetric nursing, delivery and labor rooms	488,256	64,375	552,631	538,495
Behavioral health	–	–	–	357,539
Operating and recovery rooms	959,335	775,672	1,735,007	1,399,685
Central services and supply	–	390,817	390,817	364,227
Emergency room	778,439	830,826	1,609,265	1,472,674
Outpatient clinics	160,427	74,596	235,023	173,937
Ambulance	107,402	41,790	149,192	161,047
Home health services	350,311	80,967	431,278	390,733
Outreach services	205,653	47,983	253,636	293,526
Hospice	756,403	416,311	1,172,714	723,185
Total nursing service	5,708,398	2,907,310	8,615,708	7,894,913
OTHER PROFESSIONAL SERVICE				
Laboratory	386,055	633,189	1,019,244	940,409
Pathology	–	42,706	42,706	37,287
Blood service	–	117,078	117,078	103,269
Electroencephalography	–	1,680	1,680	1,512
Electrocardiology	–	–	–	13
Cardiology and vascular testing	–	27,405	27,405	29,569
Radiology and ultrasound	622,707	519,610	1,142,317	924,074
Radiation therapy	207,446	845,490	1,052,936	454,023
Nuclear medicine	–	94,357	94,357	66,272
CT scans	–	179,234	179,234	112,854
Magnetic resonance imaging	17,653	357,874	375,527	216,740
Pharmacy	397,308	1,858,214	2,255,522	2,437,625
Intravenous therapy	–	34,986	34,986	45,087
Anesthesiology	–	45,992	45,992	199,727
Respiratory therapy	182,923	121,373	304,296	266,732
Rehabilitation therapy	448,898	120,628	569,526	550,344
Cardiac rehabilitation	54,640	10,609	65,249	72,560
Lenox clinic	185,507	95,148	280,655	317,594
Morning Star clinic	420,420	257,786	678,206	273,080
Medical Arts Plaza	–	176,259	176,259	141,874
Crestridge Estates	76,555	269,444	345,999	291,962
Creston Medical Clinic	–	–	–	11,015
Social services	50,162	98	50,260	59,305
Health information services	369,311	122,775	492,086	464,595
Quality assurance	83,947	4,101	88,048	94,941
Total other professional service	3,503,532	5,936,036	9,439,568	8,112,463

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2009, with comparative totals for 2008

	2009			2008
	Salaries	Other	Total	Total
GENERAL SERVICE				
Dietary	$ 606,368	$ 260,199	$ 866,567	$ 813,363
Plant operation	261,952	699,580	961,532	853,748
Housekeeping	319,425	81,822	401,247	306,285
Laundry	41,869	11,405	53,274	65,842
Linen	–	9,192	9,192	5,588
Total general service	1,229,614	1,062,198	2,291,812	2,044,826
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	379,346	238,497	617,843	583,517
Accounting	206,153	48,905	255,058	219,241
Human resources	129,913	50,564	180,477	214,998
Business office	517,250	101,662	618,912	505,483
Purchasing	154,016	40,136	194,152	185,998
Public relations	44,069	126,876	170,945	143,479
Telephone	–	56,275	56,275	55,811
Professional fees	–	123,956	123,956	175,020
Computer support	–	263,008	263,008	260,805
Collection fees	–	126,067	126,067	122,338
Receivables management fee	–	120,845	120,845	103,637
Dues and subscriptions	–	34,348	34,348	23,947
Travel and mileage	–	7,112	7,112	11,207
Publication fees	–	2,406	2,406	2,122
Physician recruitment	–	400,075	400,075	363,249
UNASSIGNED EXPENSES				
Wellness	90,249	23,672	113,921	111,081
Volunteer services	17,069	9,720	26,789	26,675
FICA	–	860,315	860,315	789,084
IPERS	–	751,099	751,099	641,180
Group health and life insurance	–	3,191,452	3,191,452	2,533,793
Workers' compensation insurance	–	176,910	176,910	169,052
Insurance	–	171,439	171,439	168,330
Total fiscal and administrative service and unassigned expenses	1,538,065	6,925,339	8,463,404	7,410,047
PROVISION FOR DEPRECIATION	–	2,392,564	2,392,564	1,813,122
Total expenses	$11,979,609	$19,223,447	$31,203,056	$27,275,371

Greater Regional Medical Center
COMPARATIVE STATISTICS

	Year ended June 30	
	2009	2008
PATIENT DAYS		
Medical, surgical and obstetrical	3,617	4,048
Behavioral health	–	332
Swing bed	956	1,215
Nursery	451	496
Totals	5,024	6,091
DISCHARGES		
Medical, surgical and obstetrical	1,177	1,259
Behavioral health	–	53
Swing bed	98	120
Nursery	223	249
Totals	1,498	1,681
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	3.07	3.22
Behavioral health	–	6.26
Swing bed	9.76	10.13
Nursery	2.02	1.99

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 and its component unit, Greater Regional Healthcare Foundation, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 25, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organizations' 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 Organizations' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' 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 Organizations' financial statements that is more than inconsequential will not be prevented or detected by the Organizations' 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 Organizations' 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, 2009 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 25, 2009

Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2009

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, 2009

Part II—Findings Related to Required Statutory Reporting

09-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, 2009.

09-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

09-II-C TRAVEL EXPENSES

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

09-II-D BUSINESS TRANSACTIONS

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

09-II-E BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

09-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.