Greater Regional Medical Center
Creston, Iowa

FINANCIAL REPORT

June 30, 2011

C O N T E N T S

Greater Regional Medical Center
OFFICIALS
June 30, 2011

BOARD OF TRUSTEES

	Expiration of term
Officers	
Dave Driskell, Chair	December 31, 2012
Jack Davis, Vice Chair	December 31, 2012
Sherry McKie, Secretary	December 31, 2014
Tom Dunphy, Treasurer	December 31, 2016
Members	
Carolyn Dillenburg	December 31, 2014
Tom Lesan	December 31, 2016
Dennis Nelson	December 31, 2012

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, and its component unit, Greater Regional Healthcare Foundation, as of June 30, 2011 and 2010, 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, and its component unit, Greater Regional Healthcare Foundation, as of June 30, 2011 and 2010, 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 22, 2011 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 and schedule of funding progress for the retiree health plan on page 28 are 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 22, 2011

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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, 2011 and 2010. 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 $9,251,178, or 19%, to $57,516,200
- Total noncurrent assets whose use is limited increased by $1,350,213 to $6,660,952
- Total property and equipment increased by $6,006,634 to $34,528,247
- Total fund equity increased by $1,445,545 to $35,378,087
- Total long-term debt increased by $7,869,519 to $17,787,447
- Net patient service revenue increased by $2,312,348, or 7%, to $36,697,217
- Expenses increased by $3,820,985, or 11%, to $37,651,388

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		
	2011	**2010**	**2009**
Current assets	$15,006,033	$13,210,745	$11,313,434
Noncurrent assets whose use is limited	6,660,952	5,310,739	5,021,985
Property and equipment	34,528,247	28,521,613	28,963,287
Other assets	1,320,968	1,221,925	1,232,883
Total assets	$57,516,200	$48,265,022	$46,531,589
Current liabilities	$ 3,964,710	$ 3,965,890	$ 4,143,567
Long-term debt, less current maturities	17,024,903	9,252,790	10,300,759
Other noncurrent liabilities	1,148,500	1,113,800	1,097,000
Total liabilities	$22,138,113	$14,332,480	$15,541,326
Invested in capital assets, net of related debt	$16,740,800	$18,603,685	$17,937,917
Restricted	625,926	621,093	623,208
Unrestricted	18,011,361	14,707,764	12,429,138
Total fund equity	$35,378,087	$33,932,542	$30,990,263

As depicted in Table 1, total assets increased in fiscal year 2011 to $57,516,200. The change in total assets is primarily a result of the issuance of debt to fund the costs of a project to renovate and upgrade portions of the Medical Center.

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		
	2011	**2010**	**2009**
Net patient service revenue	$36,697,217	$34,384,869	$30,717,210
Other revenue	1,529,553	1,430,491	1,745,018
Total revenue	38,226,770	35,815,360	32,462,228
Salaries	15,902,844	13,696,452	11,979,609
Supplies and expenses	19,055,358	17,488,513	16,830,883
Provision for depreciation	2,693,186	2,645,438	2,392,564
Total expenses	37,651,388	33,830,403	31,203,056
Operating income	575,382	1,984,957	1,259,172
County taxes	1,153,546	1,142,643	1,153,342
Investment income	169,445	171,748	191,634
Interest and amortization expense	(523,181)	(518,123)	(571,374)
Unrestricted contributions	77,685	161,054	–
Loss on disposal of assets	(7,332)	–	–
Transfer from related foundation	–	–	1,559,513
Total nonoperating gains	870,163	957,322	2,333,115
Change in fund equity	1,445,545	2,942,279	3,592,287
Total fund equity, beginning	33,932,542	30,990,263	27,397,976
Total fund equity, ending	$35,378,087	$33,932,542	$30,990,263

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in fund equity between June 30, 2011 and 2010.

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 2011 were 809 compared to 909 in fiscal year 2010. Average length of stay increased as medical, surgical and obstetrical patient days decreased to 2,489 from 2,771 in 2010. Swing bed discharges for fiscal year 2011 were 80 compared to 88 in fiscal year 2010. Average length of stay increased as swing bed patient days decreased to 767 from 768 in 2010. Volume on the outpatient side increased in 2011. In 2011, gross outpatient charges increased to $47,765,793 compared to $43,556,897 in 2010.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2011. Overall, gross patient service revenue increased to $56,213,432 from $52,111,330 in 2010. Emergency room, laboratory and blood service and radiation therapy reflected the most significant growth in 2011.

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 $19,516,215 in 2011 from $17,726,461 in 2010. This represents 35% and 34% of gross patient charges for 2011 and 2010, 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		
	2011	**2010**	**2009**
Medicare	44%	43%	42%
Medicaid	11	9	9
Commercial insurance	41	43	44
Patients	4	5	5
Totals	100%	100%	100%

Other Revenue

Other revenue increased to $1,529,553 in 2011 compared to $1,430,491 in 2010 due to increased income from Crestridge Estates rent, pharmacy revenue, employees, and cafeteria sales.

Expenses

Approximately 42% of the Medical Center's expenses are for salaries. Total salaries increased by 16% to $15,902,844 in 2011 from $13,696,452 in 2010. The Medical Center departments experiencing the most significant increase in 2011 included Creston Medical Clinic and business office. The increases to these departments are a result of the first full year of the Medical Center owning and operating the Creston Medical Clinic.

Approximately 51% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 9% to $19,055,358 in 2011 from $17,488,513 in 2010. The Medical Center departments experiencing the most significant increases in 2011 included Creston Medical Clinic, IPERS and group health and life insurance.

Approximately 7% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to $2,693,186 in 2011 from $2,645,438 in 2010.

Nonoperating Gains (Losses)

Nonoperating gains (losses) decreased to $870,163 in 2011 from $957,322 in 2010, primarily due to decreased contributions.

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		
	2011	**2010**	**2009**
Land	$ 149,491	$ 149,491	$ 149,491
Land improvements	3,170,210	3,224,132	3,216,281
Building and improvements	26,757,121	26,805,461	18,984,244
Fixed equipment	5,174,302	5,523,362	5,328,149
Major movable equipment	12,299,319	12,438,226	11,691,059
Buildings leased to others	–	–	7,246,108
Crestridge Estates	3,340,079	3,363,382	3,363,382
Construction in progress	8,510,187	903,373	224,949
Subtotal	59,400,709	52,407,427	50,203,663
Less accumulated depreciation	(24,872,462)	(23,885,814)	(21,240,376)
Net property and equipment	$34,528,247	$28,521,613	$28,963,287

At the end of 2011, the Hospital had $34,528,247 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 2011, $8,857,762 was spent to acquire property and equipment. Construction in progress at year end consists of costs related to an $18 million construction and renovation project involving medical and surgical, intensive care, obstetrical and surgical areas with an emphasis on outpatient and orthopedic procedures.

Debt Administration

At year end, the Medical Center had $17,708,618 in current and long-term debt related to Hospital Revenue Bonds, an increase of $8,049,927 from 2010. This increase is the result of advances on new debt in the amount of $8,550,000 net of the required payments made on the outstanding bonds for fiscal year 2011. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 80% of the Medical Center's total liabilities as of year end.

At year end, the Medical Center had $78,829 in current and long-term notes payable, a decrease of $180,408 from 2010. This decrease is the result of payments made on the outstanding notes for fiscal year 2011. More detailed information about the Medical Center's notes payable are presented in the Notes to Financial Statements.

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 2011 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	$ 1,153,546	$ 1,086,123	$ 67,423
Other revenues/receipts	46,946,215	49,078,790	(2,132,575)
	48,099,761	50,164,913	(2,065,152)
Expenses/expenditures	44,869,016	50,349,806	(5,480,790)
Net	$ 3,230,745	$ (184,893)	$3,415,638

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less loan proceeds. 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 2012 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, 2011 and 2010

ASSETS

	Greater Regional Medical Center 2011	Greater Regional Medical Center 2010	Greater Regional Healthcare Foundation 2011	Greater Regional Healthcare Foundation 2010
CURRENT ASSETS				
Cash	$ 4,030,224	$ 4,088,705	$ 76,075	$ 43,918
Assets whose use is limited, required for current liabilities	–	474,657	–	–
Certificates of deposit	4,547,378	2,501,184	–	–
Mutual fund	–	1,038,998	–	–
Investments	–	–	249,718	95,622
Patient receivables, less allowances for contractual adjustments and bad debts	4,687,828	3,631,093	–	–
Other receivables	93,424	33,305	–	–
Contributions receivable	–	–	39,077	75,735
Inventories	949,904	799,170	–	–
Prepaid expenses	697,275	643,633	–	–
Total current assets	15,006,033	13,210,745	364,870	215,275
ASSETS WHOSE USE IS LIMITED				
Designated by board for plant replacement and expansion				
Cash	6,035,026	3,394,656	–	–
Certificates of deposit	–	1,769,647	–	–
	6,035,026	5,164,303	–	–
Restricted for payment of long-term debt and interest				
Cash, debt service reserve fund	625,926	621,093	–	–
Total assets whose use is limited	6,660,952	5,785,396	–	–
Less assets whose use is limited and that are required for current liabilities	–	474,657	–	–
Noncurrent assets whose use is limited	6,660,952	5,310,739	–	–
PROPERTY AND EQUIPMENT	59,400,709	52,407,427	–	–
Less accumulated depreciation	24,872,462	23,885,814	–	–
Total property and equipment	34,528,247	28,521,613	–	–
OTHER ASSETS				
Unamortized financing costs	230,968	141,925	–	–
Succeeding year property tax receivable	1,090,000	1,080,000	–	–
Total other assets	1,320,968	1,221,925	–	–
Totals	$57,516,200	$48,265,022	$ 364,870	$ 215,275

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2011	2010	2011	2010
CURRENT LIABILITIES				
Current maturities of long-term debt	$ 762,544	$ 665,138	$ –	$ –
Accounts payable				
Trade	789,085	1,212,280	–	–
Construction	482,023	–	–	–
Accrued employee compensation	1,566,095	1,454,067	–	–
Payroll taxes and amounts withheld from employees	210,320	209,748	–	–
Accrued interest	154,643	124,657	–	–
Estimated third-party payor settlements	–	300,000	–	–
Total current liabilities	3,964,710	3,965,890	–	–
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	17,024,903	9,252,790	–	–
Deferred revenue for succeeding year property tax receivable	1,090,000	1,080,000	–	–
Other long-term liability	58,500	33,800	–	–
Total long-term liabilities	18,173,403	10,366,590	–	–
FUND EQUITY				
Invested in capital assets, net of related debt	16,740,800	18,603,685	–	–
Restricted	625,926	621,093	–	–
Unrestricted	18,011,361	14,707,764	364,870	215,275
Total fund equity	35,378,087	33,932,542	364,870	215,275
Totals	$57,516,200	$48,265,022	$ 364,870	$ 215,275

Greater Regional Medical Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
Year ended June 30, 2011 and 2010

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2011	**2010**	**2011**	**2010**
NET PATIENT SERVICE REVENUE, net of provision for bad debts 2011 $1,973,267; 2010 $1,644,539	$36,697,217	$34,384,869	$ –	$ –
OTHER REVENUE	1,529,553	1,430,491	14,676	23,899
Total revenue	38,226,770	35,815,360	14,676	23,899
EXPENSES				
Nursing service	8,431,466	8,288,088	–	–
Other professional service	13,701,743	12,105,038	–	–
General service	2,517,618	2,364,810	–	–
Fiscal and administrative service and unassigned expenses	10,307,375	8,427,029	46,919	42,834
Provision for depreciation	2,693,186	2,645,438	–	–
Total expenses	37,651,388	33,830,403	46,919	42,834
Operating income (loss)	575,382	1,984,957	(32,243)	(18,935)
NONOPERATING GAINS (LOSSES)				
County taxes	1,153,546	1,142,643	–	–
Investment income	169,445	171,748	59	233
Unrealized gain on investments	–	–	19,437	9,661
Interest and amortization expense	(523,181)	(518,123)	–	–
Unrestricted contributions	77,685	161,054	162,342	117,555
Loss on disposal of assets	(7,332)	–	–	–
Total nonoperating gains (losses)	870,163	957,322	181,838	127,449
Change in fund equity	1,445,545	2,942,279	149,595	108,514
TOTAL FUND EQUITY				
Beginning	33,932,542	30,990,263	215,275	106,761
Ending	$35,378,087	$33,932,542	$ 364,870	$ 215,275

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS
Year ended June 30, 2011 and 2010

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2011	**2010**	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patients and third-party payors	$35,340,482	$34,659,470	$ –	$ –
Cash paid to suppliers for goods and services	(19,717,776)	(17,114,257)	(46,919)	(42,834)
Cash paid to employees for services	(15,790,816)	(13,387,301)	–	–
Other operating revenue received	1,529,553	1,430,491	14,676	23,899
Net cash provided by (used in) operating activities	1,361,443	5,588,403	(32,243)	(18,935)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
County taxes received	1,153,546	1,142,643	–	–
Unrestricted contributions received	77,685	161,054	134,493	101,396
Net cash provided by noncapital financing activities	1,231,231	1,303,697	134,493	101,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment	(8,225,129)	(2,723,530)	–	–
Contributions received	–	–	54,848	179,221
Payments for financing costs	(100,000)	–	–	–
Proceeds from issuance of long-term debt	8,550,000	–	–	–
Principal payments on long-term debt	(680,481)	(1,107,442)	–	(290,000)
Interest paid on long-term debt	(482,238)	(511,846)	–	–
Net cash provided by (used in) capital and related financing activities	(937,848)	(4,342,818)	54,848	(110,779)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	169,445	183,433	59	233
Purchase of investments	(2,061,706)	(3,898,015)	(125,000)	(3,107)
Proceeds from maturities of investments	2,824,157	1,749,780	–	–
Net cash provided by (used in) investing activities	931,896	(1,964,802)	(124,941)	(2,874)
NET INCREASE (DECREASE) IN CASH	2,586,722	584,480	32,157	(31,192)
CASH				
Beginning	8,104,454	7,519,974	43,918	75,110
Ending	$10,691,176	$ 8,104,454	$ 76,075	$ 43,918

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)
Year ended June 30, 2011 and 2010

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 575,382	$1,984,957	$ (32,243)	$ (18,935)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	2,693,186	2,645,438	–	–
Changes in assets and liabilities				
Patient receivables	(1,056,735)	(225,399)	–	–
Other receivables	(60,119)	489,595	–	–
Inventories	(150,734)	(77,385)	–	–
Prepaid expenses	(53,642)	(151,846)	–	–
Accounts payable, trade	(423,195)	22,652	–	–
Accrued employee compensation	112,028	309,151	–	–
Payroll taxes and amounts withheld from employees	572	74,440	–	–
Net estimated third-party payor settlements	(300,000)	500,000	–	–
Other long-term liability	24,700	16,800	–	–
Net cash provided by (used in) operating activities	$ 1,361,443	$5,588,403	$ (32,243)	$ (18,935)
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET				
Per balance sheet				
Current assets, cash	$ 4,030,224	$4,088,705	$ 76,075	$ 43,918
Assets whose use is limited				
Designated by board for plant replacement and expansion, cash	6,035,026	3,394,656	–	–
Restricted for payment of long-term debt and interest, cash	625,926	621,093	–	–
Total per statement of cash flows	$10,691,176	$8,104,454	$ 76,075	$ 43,918

See 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. 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

The Medical Center has elected to apply all applicable Governmental Accounting Standards Board pronouncements.

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
Mutual funds	Fair value based on quoted market prices

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or 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 balance sheets. 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.

Contributions Receivable

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

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 issues, 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 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

Foundation management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Foundation's tax returns are subject to tax examinations by tax authorities for a period of three years from the date of the return was filed. The Foundation has not been notified of any impending examinations by tax authorities, and no examinations are in process.

NOTE 2 CASH AND INVESTMENTS

The Medical Center's deposits at June 30, 2011 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; warrants or improvement certificates of a drainage district and common stocks.

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	
	2011	2010
Medicare	$2,535,890	$1,839,672
Medicaid	610,947	512,458
Commercial insurance	3,807,489	2,419,760
Patients	993,502	2,309,203
Total patient receivables	7,947,828	7,081,093
Less allowances for contractual adjustments and bad debts	(3,260,000)	(3,450,000)
Net patient receivables	$4,687,828	$3,631,093

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	
	2011	2010
Unconditional promises to give	$ 39,077	$ 83,735
Less allowance for uncollectible promises	–	8,000
Net contributions receivable	$ 39,077	$ 75,735

The contributions receivable are due as follows:

	2011	2010
Less than one year	$ 23,518	$ 55,135
One to five years	15,559	20,600
Total contributions receivable	$ 39,077	$ 75,735

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, 2009.

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, 2011		June 30, 2010	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 149,491	$ –	$ 149,491	$ –
Land improvements	3,170,210	1,496,099	3,224,132	1,398,985
Building and improvements	26,757,121	8,282,339	26,805,461	7,166,337
Fixed equipment	5,174,302	4,386,995	5,523,362	4,541,658
Major movable equipment	12,299,319	9,427,648	12,438,226	9,643,994
Crestridge Estates	3,340,079	1,279,381	3,363,382	1,134,840
Construction in progress	8,510,187	–	903,373	–
Totals	$59,400,709	$24,872,462	$52,407,427	$23,885,814

At June 30, 2011 construction in progress consists of costs related to an $18 million construction and renovation project involving medical and surgical, intensive care, obstetrical and surgical areas with an emphasis on outpatient and orthopedic procedures.

A summary of changes in property and equipment for the year ended June 30, 2011 follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
Land	$ 149,491	$ –	$ –	$ –	$ 149,491
Land improvements	3,224,132	15,849	69,771	–	3,170,210
Building and improvements	26,805,461	34,706	83,046	–	26,757,121
Fixed equipment	5,523,362	–	349,060	–	5,174,302
Major movable equipment	12,438,226	915,773	1,188,690	134,010	12,299,319
Crestridge Estates	3,363,382	–	23,303	–	3,340,079
Construction in progress	903,373	7,740,824	–	(134,010)	8,510,187
Totals	52,407,427	8,707,152	1,713,870	–	59,400,709
Less accumulated depreciation	(23,885,814)	(2,693,186)	(1,706,538)	–	(24,872,462)
Net property and equipment	$28,521,613	$6,013,966	$ 7,332	$ –	$34,528,247

A summary of changes in property and equipment for the year ended June 30, 2010 follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
Land	$ 149,491	$ –	$ –	$ –	$ 149,491
Land improvements	3,216,281	7,851	–	–	3,224,132
Building and improvements	18,984,244	–	–	7,821,217	26,805,461
Fixed equipment	5,328,149	100,715	–	94,498	5,523,362
Major movable equipment	11,691,059	718,062	–	29,105	12,438,226
Buildings leased to others	7,246,108	–	–	(7,246,108)	–
Crestridge Estates	3,363,382	–	–	–	3,363,382
Construction in progress	224,949	1,377,136	–	(698,712)	903,373
Totals	50,203,663	2,203,764	–	–	52,407,427
Less accumulated depreciation	(21,240,376)	(2,645,438)	–	–	(23,885,814)
Net property and equipment	$28,963,287	$ (441,674)	$ –	$ –	$28,521,613

NOTE 7 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2011	2010
Hospital Revenue Bond, Series 2010	$ 8,550,000	$ –
Hospital Revenue Bond, Series 2008	4,053,618	4,203,691
Hospital Revenue Bonds, Series 2002	5,105,000	5,455,000
Note payable, equipment	78,829	259,237
Total	17,787,447	9,917,928
Less current maturities	762,544	665,138
Long-term debt, net of current maturities	$17,024,903	$9,252,790

Hospital Revenue Bond, Series 2010

The Medical Center issued Hospital Revenue Bond, Series 2010. As of June 30, 2011, $8,550,000 was advanced on the Bond. The Medical Center may continue to receive advances on the principal amount of Bond through December 31, 2011. Total principal advanced on the Bond may not exceed $10,000,000. The Bond is payable solely from future revenues of the Medical Center and is due, beginning in 2012, each June 30th and December 31st through 2031. Interest is payable at 4.22% through December 31, 2021, after which time it will be adjusted to a fixed rate equal to 375 basis points above the five-year Federal Home Loan Bank Fixed Advance Rate. 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 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, 2011, the remaining balance on this Bond is $4,053,618. 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 4.55% to 5.4%. At June 30, 2011, the remaining balance on these Bonds is $5,105,000. 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.

NOTE 7 LONG-TERM DEBT (continued)

As to the above Hospital Revenue Bonds, Series 2010, 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 December 31, 2031. As of June 30, 2011 the remaining principal and interest on the Series 2010, Series 2008 and Series 2002 bonds was $26,556,233. 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, 2011 and 2010:

	Year ended June 30	
	2011	2010
Change in fund equity	$1,445,545	$2,942,279
Provision for depreciation	2,693,186	2,645,438
Interest expense, Hospital Revenue Bonds, Series 2010, 2008 and 2002	504,000	491,273
Pledged net revenues	$4,642,731	$6,078,990
Principal and interest requirements		
Hospital Revenue Bond, Series 2010	$ –	$ –
Hospital Revenue Bond, Series 2008	354,202	354,195
Hospital Revenue Bonds, Series 2002	619,860	619,765
Totals	$ 974,062	$ 973,960

Note Payable, Equipment

The Medical Center has a 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, 2011, the remaining balance on this note is $78,829.

Maturities required on long-term debt are as follows:

Year ending June 30	Revenue Bond Series 2010	Revenue Bond Series 2008	Revenue Bonds Series 2002	Note payable, equipment	Total principal	Interest	Total
2012	$ 161,198	$ 157,517	$ 365,000	$ 78,829	$ 762,544	$ 875,115	$ 1,637,659
2013	284,424	164,793	380,000	–	829,217	842,516	1,671,733
2014	293,845	173,503	400,000	–	867,348	806,117	1,673,465
2015	308,497	182,109	415,000	–	905,606	761,573	1,667,179
2016	320,974	191,142	435,000	–	947,116	718,236	1,665,352
2017 to 2021	1,829,703	1,106,829	2,525,000	–	5,461,532	2,832,442	8,293,974
2022 to 2026	2,261,180	1,410,605	585,000	–	4,256,785	1,493,139	5,749,924
2027 to 2031	2,771,101	667,120	–	–	3,438,221	518,333	3,956,554
2032	319,078	–	–	–	319,078	1,356	320,434
Totals	8,550,000	4,053,618	5,105,000	78,829	17,787,447	8,848,827	26,636,274
Less current maturities	161,198	157,517	365,000	78,829	762,544	875,115	1,637,659
Total long-term debt	$8,388,802	$3,896,101	$4,740,000	$ –	$17,024,903	$7,973,712	$24,998,615

NOTE 7 LONG-TERM DEBT (continued)

A summary of changes in long-term debt for the year ended June 30, 2011 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
Hospital Revenue Bond, Series 2010	$ –	$8,550,000	$ –	$ 8,550,000	$ 161,198
Hospital Revenue Bond, Series 2008	4,203,691	–	150,073	4,053,618	157,517
Hospital Revenue Bonds, Series 2002	5,455,000	–	350,000	5,105,000	365,000
Notes payable, equipment	259,237	–	180,408	78,829	78,829
Totals	$9,917,928	$8,550,000	$ 680,481	$17,787,447	$ 762,544

A summary of changes in long-term debt for the year ended June 30, 2010 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amount due within one year
Hospital Revenue Bond, Series 2008	$ 4,346,672	$ –	$ 142,981	$4,203,691	$ 150,073
Hospital Revenue Bonds, Series 2002	5,790,000	–	335,000	5,455,000	350,000
Notes payable, equipment	499,817	–	240,580	259,237	165,065
Note payable, other	388,881	–	388,881	–	–
Totals	$11,025,370	$ –	$1,107,442	$9,917,928	$ 665,138

A summary of changes in the Foundation's long-term debt for the year ended June 30, 2010 follows:

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

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, 2011 regular plan members were required to contribute 4.5% of their annual salary and the Medical Center is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were $1,065,523, $895,801 and $751,099, 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, 2011 and 2010.

	2011	2010
Charges foregone, based on established rates	$ 409,009	$ 460,500
Equivalent percentage of charity care patients to all patients served	.7%	.9%

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, 2011 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

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

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	$ 1,153,546	$ –	$ 1,153,546	$ 1,086,123
Other revenues/receipts	37,943,387	9,002,828	46,946,215	49,078,790
	39,096,933	9,002,828	48,099,761	50,164,913
Expenses/expenditures	37,651,388	7,217,628	44,869,016	50,349,806
Net	1,445,545	1,785,200	3,230,745	(184,893)
Balance, beginning	33,932,542	(18,698,468)	15,234,074	9,326,842
Balance, ending	$35,378,087	$(16,913,268)	$18,464,819	$ 9,141,949

NOTE 12 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 $3,800,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2011 and 2010 were $4,079,100 and $2,910,855, respectively, included in fiscal and administrative and unassigned expenses.

NOTE 13 OTHER POST EMPLOYMENT BENEFITS

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 305 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligation:

	Year ended June 30	
	2011	2010
Annual required contribution, ARC	$ 39,200	$ 37,000
Interest on net OPEB obligation	1,400	700
Adjustment to annual required contribution	(2,000)	(900)
Annual OPEB cost	38,600	36,800
Contributions made	13,900	20,000
Increase in net OPEB obligation	24,700	16,800
Net OPEB obligation, beginning of year	33,800	17,000
Net OPEB obligation, end of year	$ 58,500	$ 33,800

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, 2011.

For the year ended June 30, 2011, the Medical Center contributed $13,900 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, 2011 and 2010 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2011	$ 38,600	36%	$ 58,500
June 30, 2010	$ 36,800	54%	$ 33,800

NOTE 13 OTHER POST EMPLOYMENT BENEFITS (continued)

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $307,500 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of $307,500. The covered payroll (annual payroll of active employees covered by the plan) was approximately $10,284,000, and the ratio of the UAAL to the covered payroll was 2.2%. As of June 30, 2011, 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.

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, 2010 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 8%. 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 $1,200 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 14 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.

Greater Regional Medical Center
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

Year ended June 30	Actuarial valuation date	Actuarial valuation of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2009	July 1, 2008	$ –	$251,000	$251,000	0%	$10,026,000	2.5%
2010	July 1, 2008	–	251,000	251,000	0%	10,155,000	2.5%
2011	July 1, 2010	–	307,500	307,500	0%	10,284,000	3.0%

See the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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 2011 and 2010 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 22, 2011

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Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES

Age of accounts (by date of discharge)	Amounts June 30 2011	Amounts June 30 2010	Percent to total June 30 2011	Percent to total June 30 2010
0 – 30 days (includes patients in Medical Center at end of year)	$4,412,908	$3,886,238	55.52%	54.88%
31 – 60 days	1,230,043	1,146,359	15.48	16.19
61 – 90 days	544,168	647,489	6.85	9.14
91 – 120 days	369,491	346,380	4.65	4.89
Over 120 days	1,391,218	1,054,627	17.50	14.90
Totals	7,947,828	7,081,093	100.00%	100.00%
Allowances				
Contractual				
Medicare	900,000	1,210,000		
Medicaid	250,000	460,000		
Other	680,000	560,000		
Bad debts	1,430,000	1,220,000		
Total allowances	3,260,000	3,450,000		
Totals	$4,687,828	$3,631,093		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	$ 104,711	$ 94,205		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	45	39		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	Amounts Year ended June 30 2011	Amounts Year ended June 30 2010	Percent of net patient service revenue Year ended June 30 2011	Percent of net patient service revenue Year ended June 30 2010
BALANCE, beginning	$1,220,000	$ 960,000		
ADD				
Provision for bad debts	1,973,267	1,644,539	5.38%	4.78%
Recoveries of accounts previously written off	575,940	683,451	1.57	1.99
	3,769,207	3,287,990		
DEDUCT				
Accounts written off	2,339,207	2,067,990	6.37	6.01
BALANCE, ending	$1,430,000	$1,220,000		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2011, with comparative totals for 2010

	2011			2010
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	$2,170,326	$ –	$ 2,170,326	$ 2,348,481
Special care	127,422	–	127,422	108,686
Swing bed	397,297	–	397,297	378,500
Nursery	259,934	–	259,934	355,774
	2,954,979	–	2,954,979	3,191,441
OTHER NURSING SERVICES				
Operating room	1,516,334	5,569,440	7,085,774	6,923,935
Recovery room	473,057	1,379,690	1,852,747	2,047,685
Delivery and labor rooms	349,212	–	349,212	396,332
Central services and supply	89,254	405,400	494,654	442,631
Emergency room	41,753	4,094,005	4,135,758	3,814,466
Ambulance	–	946,843	946,843	793,486
Home health services	–	558,366	558,366	580,714
Outreach services	–	206,061	206,061	245,093
Hospice	–	1,236,709	1,236,709	1,462,260
	2,469,610	14,396,514	16,866,124	16,706,602
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	783,877	5,441,594	6,225,471	5,280,180
Electroencephalography	409	409	818	5,083
Electrocardiology	18,679	68,672	87,351	123,733
Cardiology and vascular testing	92,909	746,350	839,259	921,988
Radiology and ultrasound	161,375	3,079,511	3,240,886	3,115,699
Radiation therapy	12,389	4,444,555	4,456,944	4,264,687
Nuclear medicine	6,703	381,476	388,179	606,557
CT scans	262,409	3,500,923	3,763,332	3,739,917
Magnetic resonance imaging	58,355	1,709,074	1,767,429	1,619,289
Pharmacy and intravenous therapy	1,197,895	4,207,184	5,405,079	5,340,429
Anesthesiology	270,626	664,127	934,753	944,039
Respiratory therapy	378,899	454,256	833,155	844,558
Rehabilitation therapy	160,423	877,997	1,038,420	940,736
Cardiac rehabilitation	27,111	187,528	214,639	192,726
Outpatient clinics and chemotherapy	–	873,038	873,038	926,088
Lenox clinic	–	605,786	605,786	526,409
Morning Star clinic	–	1,069,237	1,069,237	964,427
Creston Medical Clinic	–	5,057,562	5,057,562	2,317,242
	3,432,059	33,369,279	36,801,338	32,673,787
Totals	$8,856,648	$47,765,793	56,622,441	52,571,830
Charity care charges foregone, based on established rates			(409,009)	(460,500)
Total gross patient service revenue			56,213,432	52,111,330
Provisions for contractual adjustments and bad debts			(19,516,215)	(17,726,461)
Total net patient service revenue			$36,697,217	$34,384,869

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	Year ended June 30	
	2011	2010
Contractual adjustments		
Medicare	$ 9,217,336	$ 8,367,608
Medicaid	2,094,722	2,153,455
Other adjustments	6,230,890	5,560,859
Provision for bad debts	1,973,267	1,644,539
Totals	$19,516,215	$17,726,461

OTHER REVENUE

	Year ended June 30	
	2011	2010
Rental income		
Medical Arts Plaza	$ 311,825	$ 369,078
Crestridge Estates	558,562	510,124
Equipment	–	2,538
Pharmacy revenue, employees	307,630	262,057
Cafeteria sales	190,193	169,115
Meals on wheels	4,105	4,741
Sale of supplies and miscellaneous services to employees and others	51,549	39,334
Wellness	49,669	52,944
Lifeline	12,000	9,000
Miscellaneous	44,020	11,560
Totals	$1,529,553	$1,430,491

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2011, with comparative totals for 2010

	2011			2010
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	$ 128,874	$ 4,607	$ 133,481	$ 121,093
Medical and surgical	1,657,001	239,294	1,896,295	1,749,171
Special care	86,162	6,327	92,489	88,243
Obstetric nursing, delivery and labor rooms	415,648	47,264	462,912	556,045
Operating and recovery rooms	1,117,936	434,410	1,552,346	1,667,901
Central services and supply	–	265,800	265,800	272,012
Emergency room	840,118	1,117,413	1,957,531	1,824,744
Ambulance	56,404	66,101	122,505	146,470
Home health services	423,312	123,622	546,934	485,733
Outreach services	138,559	56,607	195,166	206,714
Hospice	875,794	330,213	1,206,007	1,169,962
Total nursing service	5,739,808	2,691,658	8,431,466	8,288,088
OTHER PROFESSIONAL SERVICE				
Laboratory	458,057	681,409	1,139,466	1,056,102
Pathology	–	92,210	92,210	94,875
Blood service	–	149,215	149,215	116,685
Electroencephalography	–	84	84	336
Cardiology and vascular testing	–	19,583	19,583	22,624
Radiology and ultrasound	633,267	539,027	1,172,294	1,140,561
Radiation therapy	233,036	984,785	1,217,821	1,230,177
Nuclear medicine	–	70,595	70,595	102,475
CT scans	–	152,163	152,163	139,359
Magnetic resonance imaging	55,312	522,430	577,742	479,088
Pharmacy	446,108	1,839,405	2,285,513	2,418,255
Intravenous therapy	–	6,787	6,787	979
Anesthesiology	–	52,926	52,926	49,219
Respiratory therapy	184,536	102,121	286,657	275,049
Rehabilitation therapy	518,120	133,956	652,076	599,142
Cardiac rehabilitation	58,311	17,127	75,438	69,090
Outpatient clinics and chemotherapy	212,310	52,226	264,536	256,734
Burn unit	748	154	902	–
Lenox clinic	171,809	136,701	308,510	305,907
Morning Star clinic	577,796	202,471	780,267	1,010,459
Medical Arts Plaza	–	119,551	119,551	132,570
Crestridge Estates	82,157	262,520	344,677	308,277
Creston Medical Clinic	2,560,615	531,259	3,091,874	1,600,718
Social services	44,360	471	44,831	57,733
Health information services	575,907	82,091	657,998	545,458
Quality assurance	108,358	29,669	138,027	93,166
Total other professional service	6,920,807	6,780,936	13,701,743	12,105,038

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2011, with comparative totals for 2010

	2011			2010
	Salaries	**Other**	**Total**	**Total**
GENERAL SERVICE				
Dietary	$ 659,349	$ 255,609	$ 914,958	$ 848,724
Plant operation	283,137	823,973	1,107,110	1,057,384
Housekeeping	336,604	111,622	448,226	413,060
Laundry	26,712	15,158	41,870	39,543
Linen	–	5,454	5,454	6,099
Total general service	1,305,802	1,211,816	2,517,618	2,364,810
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	373,111	207,464	580,575	519,840
Accounting	183,200	5,903	189,103	183,375
Human resources	172,028	114,617	286,645	219,472
Business office	690,626	97,092	787,718	571,694
Purchasing	158,086	38,852	196,938	195,053
Computer support	250,541	266,363	516,904	457,900
Public relations	–	135,832	135,832	168,556
Telephone	–	62,946	62,946	59,255
Professional fees	–	121,737	121,737	154,652
Collection fees	–	119,386	119,386	148,981
Receivables management fee	–	195,642	195,642	117,734
Dues and subscriptions	–	34,664	34,664	33,277
Travel and mileage	–	1,686	1,686	7,760
Publication fees	–	3,262	3,262	2,027
Physician recruitment	–	50,663	50,663	175,966
UNASSIGNED EXPENSES				
Wellness	99,331	31,093	130,424	122,651
Volunteer services	9,504	11,093	20,597	25,611
FICA	–	1,087,692	1,087,692	966,682
IPERS	–	1,065,523	1,065,523	895,801
Group health and life insurance	–	4,362,483	4,362,483	3,061,975
Workers' compensation insurance	–	189,382	189,382	184,210
Insurance	–	167,573	167,573	154,557
Total fiscal and administrative service and unassigned expenses	1,936,427	8,370,948	10,307,375	8,427,029
PROVISION FOR DEPRECIATION	–	2,693,186	2,693,186	2,645,438
Total expenses	$15,902,844	$21,748,544	$37,651,388	$33,830,403

Greater Regional Medical Center
COMPARATIVE STATISTICS

	Year ended June 30	
	2011	2010
PATIENT DAYS		
Medical, surgical and obstetrical	2,489	2,771
Swing bed	767	768
Nursery	363	475
Totals	3,619	4,014
DISCHARGES		
Medical, surgical and obstetrical	809	909
Swing bed	80	88
Nursery	184	225
Totals	1,073	1,222
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	3.08	3.05
Swing bed	9.59	8.73
Nursery	1.97	2.11

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, 2011, and have issued our report thereon dated September 22, 2011. 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 audits, 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 deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organizations' financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 2011 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 22, 2011

Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2011

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, 2011

Part II—Findings Related to Required Statutory Reporting

11-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, 2011.

11-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

11-II-C TRAVEL EXPENSES

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

11-II-D BUSINESS TRANSACTIONS

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

11-II-E BOARD MINUTES

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

11-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.