Clarinda Regional Health Center

Financial Report
June 30, 2011

Contents

Clarinda Regional Health Center

Board of Trustees
Year Ended June 30, 2011

McGladrey

Independent Auditor's Report

Board of Trustees
Clarinda Regional Health Center
Clarinda, Iowa

We have audited the accompanying balance sheets of Clarinda Regional Health Center (the Organization), an enterprise fund of the City of Clarinda, Iowa as of June 30, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic 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. The basic financial statements of Clarinda Medical Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Clarinda Regional Health Center 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 reports, dated January 30, 2012 and November 22, 2010, for the years ended June 30, 2011 and 2010, respectively, on our consideration of Clarinda Regional Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis on pages 3 through 9 and required supplementary information on pages 32 and 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Organization. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information as of and for the years ended June 30, 2011 and 2010 has been subjected to the auditing procedures applied in the audit 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.

The accompanying Clarinda Regional Health Center schedules of insurance and comparative statistics, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
January 30, 2012

Clarinda Regional Health Center

Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010

This section of Clarinda Regional Health Center's (the Organization) annual audited financial report represents management's discussion and analysis of the Organization's financial performance during the fiscal year ended June 30, 2011. The analysis will focus on the Organization's financial performance as a whole. Please read it in conjunction with the audited financial report.

Using This Annual Report

The June 30, 2011 and 2010 Independent Auditor's Report includes audited financial statements that include:

- Balance sheets
- Statements of revenue, expenses and changes in net assets
- Statements of cash flows
- Notes to basic financial statements

Financial Highlights

- The Organization's total assets decreased by $3,223,568 or 7.8% in 2011 and increased by $26,677,492 or 182.3% in 2010.
- The Organization's net assets decreased by $480,105 or 4.0% in 2011 and increased by $556,587 or 4.8% in 2010.
- The Organization reported an operating loss of $1,107,506 in 2011 and operating income of $312,227 in 2010.

The Balance Sheet and Statement of Revenue, Expenses and Changes in Net Assets

These financial statements report information about Clarinda Regional Health Center using Governmental Accounting Standards Board (GASB) accounting principles. The balance sheet is a statement of financial position. It includes all of the Organization's assets and liabilities and provides information about the amounts of investments in resources (assets) and the obligations to Organization creditors (liabilities). Revenue and expenses are reflected for the current and previous year on the statements of revenue, expenses and changes in net assets. This statement shows the results of the Organization's operations. The last financial statement is the statement of cash flows. The statement of cash flows essentially reflects the movement of money in and out of the Organization that determines the Organization's solvency. It is divided into cash flows (in or out) from operating, non-capital financing, capital and related financing, and investing activities.

Also supporting, supplementary information to the above statements is provided in:

- Schedules of net patient service revenue
- Schedules of adjustments to patient service revenue and other revenue
- Schedule of operating expenses
- Schedules of aging analysis of accounts receivable from patients and allowance for doubtful accounts
- Schedule of inventories and prepaid expenses
- Schedule of insurance
- Comparative statistics

Financial Analysis of the Organization

The information from the balance sheets, statements of revenue, expenses and changes in net assets and the statements of cash flows is summarized in the following tables. Tables 1 and 2 report on the changes in the Organization's net assets. Increases or decreases in net assets are one indicator of whether or not the Organization's financial health is improving. Other non-financial factors can also have an effect on the Organization's financial position. These can include such things as changes in Medicare and Medicaid regulations and reimbursement, changes with other third-party payors, as well as changes in the economic environment of Clarinda, Iowa and the surrounding areas.

Table 1: Assets, Liabilities and Net Assets

	2011	2010	2009
Assets			
Current assets	$ 12,862,133	$ 8,935,120	$ 9,208,959
Noncurrent cash and investments	5,251,385	26,070,735	451,489
Capital assets, net	19,522,064	5,880,715	4,968,500
Other assets	394,030	366,610	7,270
Total assets	$ 38,029,612	$ 41,253,180	$ 14,636,218
Liabilities			
Total current liabilities	$ 4,383,778	$ 2,134,427	$ 2,101,312
Long-term debt, less current maturities	22,046,301	27,039,115	1,011,855
Total liabilities	26,430,079	29,173,542	3,113,167
Net assets:			
Invested in capital assets, net of related debt	4,551,514	4,274,671	3,502,273
Restricted by bond agreement	649,145	649,000	500,000
Unrestricted	6,398,874	7,155,967	7,520,778
Total net assets	11,599,533	12,079,638	11,523,051
Total liabilities and net assets	$ 38,029,612	$ 41,253,180	$ 14,636,218

Asset categories changing significantly during 2011 included increases in capital assets and decreases in assets limited to use as the construction of the new facility continued in 2011 with an anticipated completion date of January 2012. Previously borrowed funds limited as to use for the new facility were expended throughout the year and shown as construction in progress as of June 30, 2011. Other increases in assets include cash and cash equivalents due to the capital campaign contributions in connection with the new building project, accounts receivable and current assets limited as to use. Estimated third-party payor settlements decreased from a receivable of $352,000 in 2010 to a payable of $47,000 in 2011.

Current assets increased by $3,927,013 or 44.0% in 2011 and decreased by $273,839 or 3.0% in 2010. Net patient accounts receivable increased by $365,051 or 18.1% in 2011 and increased by $60,648 or 3.1% in 2010.

Liability categories changing significantly during 2011 included increases in accounts payable related to construction accruals at June 30, 2011 and decreases in long-term debt due to refunding of the Series 2010A bonds with the Series 2010D proceeds. Additional borrowings on the Series 2010D bonds will continue in 2012 as the new facility is completed and placed into service.

The current ratio (current assets divided by current liabilities) for 2011 was 2.93 and 2010 was 4.19. It is a measure of liquidity, providing an indication of the Organization's ability to pay current liabilities; a high ratio number is preferred.

Table 2 summarizes information from the statements of revenue, expenses and changes in net assets.

Table 2: Statements of Revenue, Expenses and Changes in Net Assets

	2011	2010	2009
Operating revenue	$ 19,288,050	$ 18,282,391	$ 18,658,438
Operating expenses	20,395,556	17,970,164	17,722,223
Operating income (loss)	(1,107,506)	312,227	936,215
Nonoperating revenue	627,401	244,360	39,509
Nonoperating expense	-	-	26,040
	627,401	244,360	13,469
Change in net assets	(480,105)	556,587	949,684
Net assets:			
Beginning	12,079,638	11,523,051	10,573,367
Ending	$ 11,599,533	$ 12,079,638	$ 11,523,051
Total revenue	$ 19,915,451	$ 18,526,751	$ 18,697,947
Total expenses	$ 20,395,556	$ 17,970,164	$ 17,748,263

Net patient service revenue increased $891,375 or 4.9% in 2011 and decreased $297,451 or 1.6% in 2010. To arrive at net patient service revenue, contractual adjustments and provisions for bad debt have been made to gross patient service revenue due to agreements with third-party payors and patients. Table 3 below shows the contractual adjustments that were recognized.

Table 3: Net Patient Service Revenue and Contractual Adjustments

	2011	2010	2009
Total gross patient service revenue	$ 31,068,742	$ 28,248,225	$ 27,964,347
Contractual adjustments and provisions for bad debt	(12,060,782)	(10,131,640)	(9,550,311)
Net patient service revenue	$ 19,007,960	$ 18,116,585	$ 18,414,036
Contractual adjustments and provisions for bad debt as a percent of total gross patient service revenue	38.82%	35.87%	34.15%

Total operating expenses increased by $2,425,392 or 13.5% in 2011 and increased by $247,941 or 1.4% in 2010. The most significant increase in operating expenses was a result of the accelerated depreciation on the assets to be abandoned when the new facility is completed, which increased operating expenses $1,514,114.

The operating margin (total operating revenue less total operating expenses divided by total operating revenue) was a negative 5.7% in 2011 down from a positive operating margin of 1.7% in 2010. Operating loss in 2011 was $1,107,506 compared to operating income of $312,227 in 2010.

Other operating revenue comprised 1.5% of total operating revenue in 2011 and 0.9% of total operating revenue in 2010. Table 4 shows the detail for this line item.

Table 4: Other Revenue

	2011	2010	2009
Lifeline, net	$ 15,676	$ 6,449	$ 4,268
Dietary	10,431	12,510	7,211
Employee meals	73,525	72,665	65,506
Meals on wheels and congregate meals	54,157	58,111	51,793
Wellness program	26,001	13,439	6,584
Medical records transcripts	6,196	7,059	7,253
Other miscellaneous	94,104	(4,427)	101,787
Total other revenue	$ 280,090	$ 165,806	$ 244,402

Organization Statistical Data

Table 5 shows the Organization's statistical data.

Table 5: Statistical Data

	2011	2010	2009
Patient days:			
Acute	1,229	1,272	1,489
Swing bed	820	763	1,185
Total	2,049	2,035	2,674
Admissions:			
Acute	447	453	528
Swing bed	129	131	173
Total	576	584	701
Discharges:			
Acute	439	450	525
Swing bed	134	128	176
Total	573	578	701
Average length of stay, acute	2.7	2.8	2.8
Beds, acute and swing	25	25	25
Occupancy percentage, acute and swing, based on 25 beds	22.5%	22.3%	29.3%

The Organization's Cash Flows

The Organization experienced positive cash flows from operations of $1,013,617 in 2011 compared to positive cash flows from operations of $682,200 in 2010. Decreases in operating income and increases in accounts receivable were largely off-set by increases in depreciation and amortization and decreases in estimated third-party payor settlements.

Capital Assets

Capital assets increased significantly in fiscal year 2011 due to the progress made on construction of the new facility. As of June 30, 2011 and 2010 the Organization had $19,522,064 and $5,880,715, respectively, invested in capital assets net of accumulated depreciation. In 2011 the Organization had $15,864,322 of capital asset additions offset by depreciation of $2,201,618 which includes approximately $1,514,000 in accelerated depreciation on assets to be abandoned once the new facility opens.

Additional information about the Organization's capital assets can be found in Note 5 of the financial statements.

Long-Term Debt

Table 6 shows a summary of the Organization's long-term debt outstanding.

Table 6: Long-Term Debt

	2011	2010	2009
Hospital revenue bonds, Series 1997A	$ -	$ -	$ 278,704
Hospital revenue bonds, Series 1997B	-	-	530,170
Hospital revenue bonds, Series 2010A	-	18,900,000	-
Hospital revenue bonds, Series 2010B	6,355,000	6,355,000	-
Hospital revenue bonds, Series 2010C	1,745,000	1,745,000	-
Hospital revenue bonds, Series 2010D	14,105,663	-	-
Less unamortized bond discount	(197,391)	(203,850)	-
Obligations under capital lease	127,667	329,131	657,353
Total long-term debt	$ 22,135,939	$ 27,125,281	$ 1,466,227

Approximately $22,205,663 of the outstanding long-term debt held by the Organization consists of the Series 2010B, Series 2010C and Series 2010D (USDA Direct Loan Bonds) Hospital Revenue Bonds. In December 2010, USDA Direct Loan Bonds refunded the Series 2010A bonds. USDA holds additional funds to be distributed to the Organization as construction continues. Semi-annual principal and interest payments will be made through June 2050. The Series B bonds are due in semi-annual installments of interest only through June 2012. Semi-annual payments of principal and interest will begin in June 2012 and continue through June 2030. The Series C bonds are due in semi-annual installments of interest only through June 2030. Semi-annual payments of principal and interest will begin in December 2030 and continue through June 2033. The Organization also has capital lease obligations totaling approximately $127,667 which are due in monthly installments of principal and interest and mature on various dates and are secured by equipment.

Additional information about the Organization's long-term debt can be found in Note 6 of the financial statements.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The budgetary basis is non-GAAP basis adjusted for equipment improvements and lease payments. There were no amendments to the budget in the current year.

- The Organization's total revenue was ahead of budget by $895,563 or 4.9%.
- The Organization's total operating expenses were over budget by $216,185 or 1.1%.

Economic Factors

The economic trends in our community, as well as our population figures have stayed relatively stable over the past few years, and thus there has been little change in the economic profile of the community.

There appears to be no sign of any new industries making a move to our community nor are there any indications of any businesses closing. With that, the economic outlook for our community should remain steady.

Contacting the Organization

This financial report is designed to provide our citizens, customers and creditors with a general overview of Clarinda Regional Health Center's finances and to demonstrate the Organization's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Christopher Stipe, CEO at Clarinda Regional Health Center, 17th and Wells Streets, Clarinda, Iowa 51632.

Clarinda Regional Health Center

Balance Sheets
June 30, 2011 and 2010

Assets	**2011**	2010
Current Assets:		
Cash and cash equivalents	**$ 2,033,444**	$ 1,021,848
Certificates of deposit	**4,715,092**	4,508,716
Investments	**101,711**	81,290
Assets limited as to use, restricted by bond agreement	**2,817,335**	310,102
Receivables:		
Patient, net	**2,383,289**	2,018,238
Other	**242,635**	46,745
Inventories	**453,473**	454,391
Prepaid expenses	**115,154**	141,790
Estimated third-party payor settlements	**-**	352,000
Total current assets	**12,862,133**	8,935,120
Assets Limited as to Use:		
Restricted by bond agreements	**7,854,389**	26,168,237
Board-designated for health insurance	**214,331**	212,600
	8,068,720	26,380,837
Less amount required to meet current liabilities	**2,817,335**	310,102
	5,251,385	26,070,735
Capital Assets:		
Nondepreciable	**17,240,544**	1,648,899
Depreciable, net	**2,281,520**	4,231,816
	19,522,064	5,880,715
Other Assets:		
Employee and physician advances	**27,016**	5,845
Debt issuance costs, net of accumulated amortization	**367,014**	360,765
	394,030	366,610
	$ 38,029,612	$ 41,253,180

See Notes to Basic Financial Statements.

Liabilities and Net Assets	**2011**	2010
Current Liabilities:		
Current maturities of long-term debt	**$ 300,638**	$ 216,166
Accounts payable:		
Trade	**395,047**	647,772
Construction	**2,592,335**	310,102
Accrued expenses:		
Salaries, wages and payroll taxes	**367,443**	327,953
Paid leave	**556,315**	532,434
Health insurance claims	**125,000**	100,000
Estimated third-party payor settlements	**47,000**	-
Total current liabilities	**4,383,778**	2,134,427
Other Postemployment Benefits	**211,000**	130,000
Long-Term Debt, less current maturities	**21,835,301**	26,909,115
Total liabilities	**26,430,079**	29,173,542
Commitments and Contingencies (Notes 5 and 9)		
Net Assets:		
Invested in capital assets, net of related debt	**4,591,369**	4,274,671
Restricted by bond agreements	**649,145**	649,000
Unrestricted	**6,359,019**	7,155,967
	11,599,533	12,079,638
	$ 38,029,612	$ 41,253,180

Clarinda Regional Health Center

Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenue:		
Net patient service revenue	**$ 19,007,960**	$ 18,116,585
Other revenue	**280,090**	165,806
Total revenue	**19,288,050**	18,282,391
Expenses:		
Salaries and wages	**8,462,816**	8,013,941
Employee benefits	**2,486,214**	2,248,366
Supplies	**2,069,726**	1,960,990
Medical professional fees	**1,207,155**	1,023,236
Other costs	**3,271,695**	3,250,388
Utilities	**165,161**	169,248
Insurance	**241,932**	235,546
Leases and rentals	**262,098**	246,876
Depreciation and amortization	**703,714**	807,284
Depreciation on assets to be abandoned	**1,514,114**	-
Interest	**10,931**	14,289
Total expenses	**20,395,556**	17,970,164
Operating income (loss)	**(1,107,506)**	312,227
Nonoperating income (expense):		
Investment income (loss)	**1,105**	182,153
Contributions	**624,737**	35,289
Other	**1,559**	26,918
Net nonoperating income	**627,401**	244,360
Change in net assets	**(480,105)**	556,587
Net assets:		
Beginning	**12,079,638**	11,523,051
Ending	**$ 11,599,533**	$ 12,079,638

See Notes to Basic Financial Statements.

Clarinda Regional Health Center

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Cash received from patients and third parties	**$ 19,041,909**	$ 17,663,937
Cash paid to employees	**(10,779,659)**	(10,273,594)
Cash paid to suppliers	**(7,339,938)**	(6,835,950)
Other receipts and payments, net	**91,305**	127,807
Net cash provided by operating activities	**1,013,617**	682,200
Cash Flows Provided by Noncapital Financing Activities, contributions	**624,737**	35,289
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	**(12,866,556)**	(1,534,910)
Proceeds from the sale of capital assets	**14,250**	15,688
Interest paid on long-term debt	**(726,464)**	(51,776)
Principal payments on long-term debt	**(19,101,464)**	(1,137,096)
Proceeds from borrowings on long term debt	**14,105,663**	26,796,150
Payment of debt issuance costs	**(119,000)**	(197,765)
Net cash provided by (used in) capital and related financing activities	**(18,693,571)**	23,890,291
Cash Flows from Investing Activities:		
Proceeds from (purchases of) investments and assets limited as to use, net	**18,028,428**	(25,878,262)
Investment income	**57,997**	86,991
Other	**(19,612)**	28,343
Net cash provided by (used in) investing activities	**18,066,813**	(25,762,928)
Increase (decrease) in cash and cash equivalents	**1,011,596**	(1,155,148)
Cash and cash equivalents:		
Beginning	**1,021,848**	2,176,996
Ending	**$ 2,033,444**	$ 1,021,848

(Continued)

Clarinda Regional Health Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2011 and 2010

		2011		2010
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by Operating Activities:				
Operating income (loss)	**$**	**(1,107,506)**	$	312,227
Adjustments to reconcile operating income (loss) to				
net cash provided by operating activities:				
Interest expense considered capital financing activity		**10,931**		14,289
Depreciation		**2,201,618**		807,284
Amortization		**16,210**		-
(Gain) loss on disposal of capital assets		**7,105**		(15,688)
(Increase) decrease in:				
Patient and other receivables, net		**(560,941)**		(82,959)
Inventories		**918**		(72,218)
Prepaid expenses		**26,636**		(19,954)
Increase (decrease) in:				
Accounts payable and accrued expenses		**(61,354)**		66,219
Other postemployment benefits		**81,000**		65,000
Estimated third-party payor settlements		**399,000**		(392,000)
Net cash provided by operating activities	**$**	**1,013,617**	$	682,200
Noncash Capital and Related Financing Activities:				
Increase in accounts payable related to construction in progress	**$**	**2,282,233**	$	207,102
Increase (decrease) in accounts payable related to cost of issuing bonds		**(103,000)**		103,000
Capitalized interest included in capital asset additions		**715,533**		37,487
Noncash Investing Activities, net change in unrealized				
gains (losses)		**(56,892)**		95,162

See Notes to Basic Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Clarinda Regional Health Center (Health Center) is a city public hospital under Chapter 392 of the Code of Iowa, and is an enterprise fund of the City of Clarinda, Iowa. The Health Center primarily earns revenue by providing health care services to patients on an inpatient and outpatient basis. The Health Center is exempt from income taxes as a political subdivision of the State of Iowa.

Clarinda Medical Foundation (Foundation) is a not-for-profit, tax-exempt corporation formed in 1995 in accordance with the laws of the State of Iowa. The Foundation's purpose is to solicit funds to enhance health care services for residents of southwest Iowa and surrounding communities and support the charitable health care mission of Clarinda Regional Health Center. The Foundation is a 501(c)(3) not-for-profit organization. The Health Center and the Foundation are collectively referred to as the Organization.

Significant accounting policies:

Reporting entity: For financial reporting purposes, the Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's basic 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 organization 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 organization. Based on these criteria, Clarinda Medical Foundation is included within the reporting entity. All material inter-organization transactions and balances have been eliminated. The financial activities of Clarinda Medical Foundation are blended with the Health Center in the financial statement presentation. Because the assets, liabilities, net assets, revenues and expenses are not significant to the reporting entity, they are presented on a combined basis with the Health Center. Separate financial statements of Clarinda Medical Foundation are not available.

The financial statements are those of Clarinda Regional Health Center, an enterprise fund of the City of Clarinda, Iowa. The financial statements present only Clarinda Regional Health Center and are not intended to present fairly the financial position of the City of Clarinda, Iowa, as of June 30, 2011 and 2010, and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the balance sheets.

Accounting standards: The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs). The Organization has elected not to apply FASB guidance subsequent to November 30, 1989.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounting estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited or restricted. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: Patient receivables where a third-party payor is responsible for paying the amount are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts, and by considering the patient's financial history, credit history and current economic conditions. The Health Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various risk contracts that the Organization participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories are valued at the lower of cost (first-in, first-out method) or market, with cost determined using the first-in, first-out method. Inventories are recorded as an expenditure at the time of consumption.

Assets limited as to use and investments: Assets limited as to use include assets set aside by the Board of Trustees for health insurance claims, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by trustee under the bond agreements.

Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheets. Securities traded on national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in nonoperating income.

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from 3 to 40 years. The amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets. Interest expense related to the construction of capital assets is capitalized. For the years ended June 30, 2011 and 2010 there was $715,533 and $37,487, respectively, of interest capitalized on construction.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Employee and physician advances: Employee and physician advances are primarily related to the recruitment of physicians to meet the community's needs. The advances are being forgiven over a period of three to five years, provided that the physicians and employees have continued satisfactory service.

Unamortized bond issuance costs: Costs related to the issuance of long-term debt are deferred and amortized using the effective interest method over the period during which the debt is outstanding.

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 with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Contributions: From time to time the Organization receives contributions from individuals and private organizations. Revenue from contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Investment earnings: Investment earnings of the unrestricted funds are reported as nonoperating income. Investment income and gains (losses) on restricted funds are added to (deducted from) their respective net asset accounts.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the area. Other operating revenue consists of cafeteria and special meals and other miscellaneous services. Operating expenses consist primarily of salaries and benefits, supplies, medical professional fees, utilities, insurance, depreciation and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt agreements), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, including amounts deposited as required by debt agreements.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" above.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Organization's board-designated assets limited as to use have been designated for employee health insurance claims.

The Organization first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Charity care: The Organization 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 Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amounts of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The amount of charges forgone, based on established rates, was approximately $102,000 and $195,000 for the years ended June 30, 2011 and 2010, respectively.

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care. Contractual adjustment expense related to the Medicaid services performed was approximately $1,055,000 and $930,000 for the years ended June 30, 2011 and 2010, respectively.

Gifts, grants and bequests: Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Trustees.

Reclassification: Certain items on the accompanying balance sheet for the year ended June 30, 2010, have been reclassified to be consistent with classifications for the current year ended June 30, 2011. The reclassifications had no impact on net assets.

Note 2. Net Patient Service Revenue

Approximately 86% and 81% of the Organization's net patient service revenue was earned under agreements with Medicare, Medicaid and Blue Cross for the years ended June 30, 2011 and 2010, respectively. These agreements provide for reimbursement to the Organization at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Organization's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party reimbursement programs follows:

Medicare: The Organization received Critical Access Hospital designation effective September 1, 2003. Under the Critical Access Hospital methodology, the Organization is reimbursed for inpatient, outpatient, swing-bed and rural health clinic services based on a reasonable cost methodology at a tentative rate with final settlement determined after submission of annual cost reports and audit or review by the third-party Medicare fiscal intermediary. Home health services are reimbursed based on prospective payment rates which vary according to a patient classification system that is based on clinical, diagnostic and other factors.

The Organization's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2010.

Note 2. Net Patient Service Revenue (Continued)

Medicaid: The Organization receives reimbursement for services provided to Medicaid beneficiaries based on the cost of providing those services. Interim payments are established for inpatient, outpatient, swing-bed, home health and rural health clinic services, with final settlements determined after submission of annual cost reports and audit or review by the third-party Medicaid fiscal intermediary.

The Organization's Medicaid cost reports have been finalized by the Medicaid fiscal intermediary through June 30, 2008.

Other payors: The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined daily rates, prospectively determined rates per discharge and discounts from established charges.

A summary of the Organization's patient service revenue for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Gross patient service revenue	$ 31,068,742	$ 28,248,225
Less:		
Provision for bad debts	969,488	726,232
Discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	11,091,294	9,405,408
Net patient service revenue	$ 19,007,960	$ 18,116,585

Contractual adjustment expense for the years ended June 30, 2011 and 2010 includes the effect of a change in the estimate of the amount due to third-party payors. The effect of this change in estimate is a decrease in contractual adjustment expense of approximately $104,000 and $161,000 for the years ended June 30, 2011 and 2010, respectively. The change in estimate is the result of retroactive adjustments based on the final settlements of prior years' cost reports.

Note 3. Patient Receivables

Patient receivables reported as current assets by the Organization as of June 30, 2011 and 2010 consisted of the following:

	2011	2010
Patients	$ 4,287,040	$ 3,653,502
Less:		
Allowance for doubtful accounts	827,838	741,940
Allowance for contractual adjustments	1,075,913	893,324
	$ 2,383,289	$ 2,018,238

Note 4. Cash and Investments

As of June 30, 2011 and 2010, all of the Health Center's investments were maintained in U.S. Treasury notes, while the Foundation's investments were maintained in mutual funds.

Interest rate risk: In accordance with the Foundation's investment policy, the Foundation strives to preserve principal while providing growth of the portfolio. The Foundation's policy prohibits trades on margin, purchases of futures or options and purchases of real estate solely for investment purposes.

According to the Health Center's investment policy, the safety and preservation of principal in the overall portfolio and obtaining a reasonable return are the objectives of the policy. The policy prohibits investments in reverse repurchase agreements and futures and options contracts.

Credit risk: The Iowa Code authorizes the Health Center and Foundation to invest in obligations of the U.S. government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions; prime banker's acceptances that mature within 270 days and that are eligible for purchase by a federal reserve bank; commercial paper or other short-term corporate debt that matures within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking; repurchase agreements whose underlying collateral consists of obligations of the U.S. government, its agencies, and instrumentalities; an open-end management investment company registered with federal securities and exchange commission under the Federal Investment Company Act of 1940; a joint investment trust organized pursuant to Chapter 28E prior to and existing in good standing on April 28, 1992, or is rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking; and warrants or improvement certificates of a levee or drainage district. The U.S. Treasury notes and mutual funds held by the Health Center and Foundation as of June 30, 2011 are not rated by a nationally recognized statistical rating organization.

Concentration of credit risk: The Health Center's investment policy encourages diversification of investments to avoid undue concentration of assets in a specific maturity sector and also prevents against risks of market price volatility. The Health Center has investments of $2,348,122 and $954,832 as of June 30, 2011 and 2010, respectively, which consisted entirely of U.S. Treasury notes. The Foundation places no limit on the amount the Foundation may invest in any one issuer. The Foundation has investments of $100,083 and $81,290 as of June 30, 2011 and 2010, respectively, which consisted entirely of mutual funds.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the Health Center and Foundation's policy to avoid default risks with financial institutions with which the chief financial officer deposits monies by determining in advance of the deposit that each depository in which monies are to be placed is an approved depository for purposes of Chapter 453 of Iowa Code. As of June 30, 2011, the Organization's deposits and investments were not exposed to custodial credit risk.

The Organization's cash, investments and assets limited as to use as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Cash	$ 7,755,670	$ 26,447,853
Certificates of deposit	4,715,092	4,508,716
Fixed income, U.S. Treasury notes	2,348,122	954,832
Mutual funds	100,083	81,290
	$ 14,918,967	$ 31,992,691

Note 4. Cash and Investments (Continued)

These balances are presented in the balance sheets as summarized below:

	2011	2010
Current:		
Cash and cash equivalents	$ 2,033,444	$ 1,021,848
Certificates of deposit	4,715,092	4,508,716
Investments	101,711	81,290
Assets limited as to use, restricted by bond agreement	2,817,335	310,102
Noncurrent:		
Restricted by bond agreements:		
Project fund	4,124,716	24,152,773
Cost of issuance fund	-	101,530
Capitalized interest fund	488,193	954,832
Debt service reserve fund	424,145	649,000
Internally designated for health insurance	214,331	212,600
	$ 14,918,967	$ 31,992,691

Note 5. Capital Assets

Activity in capital assets and accumulated depreciation for the years ended June 30, 2011 and 2010 are as follows:

	June 30, 2010	Additions	Transfers and Disposals	June 30, 2011
Capital assets not being depreciated:				
Land	$ 237,502	$ -	$ -	$ 237,502
Construction in progress	1,411,397	15,646,381	(54,736)	17,003,042
Total capital assets not being depreciated	1,648,899	15,646,381	(54,736)	17,240,544
Capital assets being depreciated:				
Land improvements	220,633	-	-	220,633
Building	6,488,888	-	-	6,488,888
Fixed equipment	779,148	20,000	-	799,148
Movable equipment	5,922,097	197,941	26,438	6,146,476
Total capital assets being depreciated	13,410,766	217,941	26,438	13,655,145
Less accumulated depreciation for:				
Land improvements	181,475	26,179	-	207,654
Building	3,655,131	1,626,805	-	5,281,936
Fixed equipment	759,927	10,861	-	770,788
Movable equipment	4,582,417	537,773	(6,943)	5,113,247
Total accumulated depreciation	9,178,950	2,201,618	(6,943)	11,373,625
Total capital assets being depreciated, net	4,231,816	(1,983,677)	33,381	2,281,520
Capital assets, net	$ 5,880,715	$ 13,662,704	$ (21,355)	$ 19,522,064

Note 5. Capital Assets (Continued)

	June 30, 2009	Additions	Transfers and Disposals	June 30, 2010
Capital assets not being depreciated:				
Land	$ 61,750	$ 175,752	$ -	$ 237,502
Construction in progress	316,245	1,155,152	(60,000)	1,411,397
Total capital assets not being depreciated	377,995	1,330,904	(60,000)	1,648,899
Capital assets being depreciated:				
Land improvements	220,633	-	-	220,633
Building	6,481,888	7,000	-	6,488,888
Fixed equipment	779,148	-	-	779,148
Movable equipment	5,617,237	441,595	(136,735)	5,922,097
Total capital assets being depreciated	13,098,906	448,595	(136,735)	13,410,766
Less accumulated depreciation for:				
Land improvements	170,530	10,945	-	181,475
Building	3,496,176	158,955	-	3,655,131
Fixed equipment	756,819	3,108	-	759,927
Movable equipment	4,084,876	634,276	(136,735)	4,582,417
Total accumulated depreciation	8,508,401	807,284	(136,735)	9,178,950
Total capital assets being depreciated, net	4,590,505	(358,689)	-	4,231,816
Capital assets, net	$ 4,968,500	$ 972,215	$ (60,000)	$ 5,880,715

As of June 30, 2011, construction in progress primarily represents costs incurred in connection with the construction of a new facility. The Series 2010 revenue bonds were issued to finance this project. The total estimated cost of the project is approximately $28,400,000 with expected completion in January 2012.

In July 2010, the Organization began accelerating depreciation on assets which are expected to be abandoned when the new facility opens. The Organization is expecting to accelerate approximately $2,270,000 of depreciation expense over a period of 18 months. Accelerated depreciation recognized during the year ended June 30, 2011 totaled approximately $1,514,000 and is presented as depreciation on assets to be abandoned on the accompanying statement of revenue, expenses and changes in net assets.

Note 6. Long-Term Debt

Long-term debt activity as of and for the years ended June 30, 2011 and 2010 is as follows:

	June 30, 2010	Borrowings	Payments/ Deductions	June 30, 2011	Due Within One Year
Long-term debt:					
2010 Hospital Revenue Bonds, Series A (A)	$ 18,900,000	$ -	$ (18,900,000)	$ -	$ -
2010 Hospital Revenue Bonds, Series B (B)	6,355,000	-	-	6,355,000	225,000
2010 Hospital Revenue Bonds, Series C (C)	1,745,000	-	-	1,745,000	-
2010 Hospital Revenue Bonds, Series D (D)	-	14,105,663	-	14,105,663	-
Capital lease obligations (E)	329,131	-	(201,464)	127,667	75,638
	27,329,131	14,105,663	(19,101,464)	22,333,330	300,638
Less unamortized bond discount	203,850	-	(6,459)	197,391	-
	$ 27,125,281	$ 14,105,663	$ (19,095,005)	$ 22,135,939	$ 300,638

	June 30, 2009	Borrowings	Payments/ Deductions	June 30, 2010	Due Within One Year
Long-term debt:					
2010 Hospital Revenue Bonds, Series A (A)	$ -	$ 18,900,000	$ -	$ 18,900,000	$ -
2010 Hospital Revenue Bonds, Series B (B)	-	6,355,000	-	6,355,000	-
2010 Hospital Revenue Bonds, Series C (C)	-	1,745,000	-	1,745,000	-
1997 Hospital Revenue Bonds, Series A (F)	278,704	-	(278,704)	-	-
1997 Hospital Revenue Bonds, Series B (F)	530,170	-	(530,170)	-	-
Capital lease obligations (E)	657,353	-	(328,222)	329,131	216,166
	1,466,227	27,000,000	(1,137,096)	27,329,131	216,166
Less unamortized bond discount	-	203,850	-	203,850	-
	$ 1,466,227	$ 26,796,150	$ (1,137,096)	$ 27,125,281	$ 216,166

(A) Hospital Revenue Bonds, 2010 Series A require semi-annual payments of interest only through June 2012, at an interest rate of 2.00%. The United States Department of Agriculture – Rural Development (USDA – RD) made a conditional commitment to lend funds to the Health Center to refund the Series A notes through the purchase of revenue bonds (Building America Bonds – Direct Payment) to be issued upon completion of the project, in order to provide permanent financing. Item (D) below discusses the terms of the USDA – RD revenue bonds issued in the current year to refund the 2010 Series A Bonds.

(B) Hospital Revenue Bonds, 2010 Series B require semi-annual payments of interest only through June 2012. The interest rate adjusts annually, ranging from 2.00% as of June 30, 2011 to 6.15% as of June 30, 2030. Semi-annual principal and interest payments commence June 2012 and continue through June 2030.

(C) Hospital Revenue Bonds, 2010 Series C require semi-annual payments of interest only through June 2030. Semi-annual payments of principal and interest will commence December 2030 and continue through June 2033. The interest rate is fixed at 6.125%.

(D) Hospital Revenue Bonds, 2010 Series D (Building America Bonds – Direct Payment) require semi-annual payments of principal and interest through December 2050. Semi-annual payments of interest will continue through December 2012. At this time, semi-annual principal and interest payments will commence and continue through December 2050. The interest rate is fixed at 3.75%. The Series D bonds are being drawn down as necessary to fund the current payments due on the construction of the new facility up to the maximum amount of $18,900,000. The outstanding amount at June 30, 2011 is $14,105,663.

Note 6. Long-Term Debt (Continued)

(E) The Health Center leases certain equipment under capital lease arrangements. Leases require monthly payments of principal and interest at rates ranging from 4.52% to 8.30%. Leases are secured by equipment.

(F) Hospital Revenue Bonds, 1997 Series A and B were paid off early on June 30, 2010 with the proceeds from the 2010 Series bonds. Principal and interest paid during the year ended June 30, 2010 on the 1997 Series A and B bonds were $835,573.

The bond agreements require that payments be made to a sinking fund in amounts sufficient to pay the interest on the bonds when due. Sinking funds available for payment of interest amounted to $488,193 as of June 30, 2011. As of June 30, 2011, there was also $6,717,051 of unspent bond proceeds in funds to be used for payment of project costs.

The 2010 Series B and C Revenue Bond agreement requires the Health Center to maintain an amount not less than $649,000 in restricted funds at all times. In connection with the Hospital Revenue Bonds, 2010 Series B and C, beginning in December 2012, the Health Center is required to comply with specific covenants as outlined within the bond agreement.

Clarinda Regional Health Center has pledged future revenues, net of operating expenses, (net revenues) to repay $6,355,000, $1,745,000 and $14,105,663 for the 2010 Hospital Revenue Bonds, Series B, C and D, respectively. Proceeds from the bonds will be used for the construction of a new Health Center. The bonds are payable solely from the Health Center's net revenues and are payable through June 2030, and June 2033 and December 2050, respectively. The total principal and interest remaining to be paid on all bonds is $48,036,733. There were payments of principal or interest on the 2010 Series Hospital Revenue Bonds of $715,533 as of June 30, 2011 and total net revenues were $1,735,059.

Aggregate future payments of principal and interest on the long-term debt obligations assuming the Series D Bonds are drawn upon for the total amount available as described in (D) above, are approximately as follows:

	Hospital Revenue Bonds		Capital Lease Obligations		
	Principal	Interest	Principal	Interest	Total
Year ending June 30:					
2012	$ 225,000	$ 1,005,593	$ 75,638	$ 5,069	$ 1,311,300
2013	451,319	1,002,699	52,029	1,089	1,507,136
2014	464,619	989,947	-	-	1,454,566
2015	483,229	975,635	-	-	1,458,864
2016	497,163	959,526	-	-	1,456,689
2017 to 2021	2,816,993	4,505,540	-	-	7,322,533
2022 to 2026	3,496,293	3,870,010	-	-	7,366,303
2027 to 2031	4,447,040	2,987,736	-	-	7,434,776
2032 to 2036	3,595,642	1,944,516	-	-	5,540,158
2037 to 2041	2,885,810	1,439,808	-	-	4,325,618
2042 to 2046	3,469,033	963,916	-	-	4,432,949
2047 to 2051	4,167,859	391,847	-	-	4,559,706
	$ 27,000,000	$ 21,036,773	$ 127,667	$ 6,158	$ 48,170,598

Note 6. Long-Term Debt (Continued)

The following is the leased equipment as of June 30, 2011 and 2010:

	2011	2010
Moveable equipment	$ 1,444,792	$ 2,072,064
Less accumulated depreciation	1,320,017	1,759,998
	$ 124,775	$ 312,066

Note 7. Retirement System

The Organization 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 and protected plan members are required to contribute 4.50% and 6.64%, respectively, of their annual salary, and the Organization is required to contribute 6.65% and 9.95%, respectively, of annual covered payroll. Contribution requirements are established by State statute. The Organization's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were approximately $596,000, $541,000 and $483,000, respectively, equal to the required contributions for each year.

Note 8. Related Organization

Effective September 1, 2002 the Health Center entered into a contractual arrangement with Mercy Medical Center - Des Moines, under which Mercy Medical Center - Des Moines provides management consultation and other services to Clarinda Regional Health Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of Clarinda Regional Health Center. Expenses for the services received amounted to approximately $331,000 and $306,000 for the years ended June 30, 2011 and 2010, respectively.

Note 9. Self Insurance, Commitments and Contingent Liabilities

Professional liability insurance:

The Organization maintains professional liability and excess liability insurance on a claims-made basis, with a loss limit of $1,000,000 per claim and an aggregate total limit of $3,000,000.

The Organization is involved in litigation arising in the normal course of business. It is the opinion of management, however, that the Organization’s malpractice insurance coverage is adequate to provide for potential losses resulting from pending or threatened litigation. Additional claims may be asserted against the Organization arising from services provided to patients through June 30, 2011. The ultimate costs of the resolution of such potential claims is not considered to be material, and accordingly, no accrual has been made for these costs.

The Organization’s medical malpractice insurance expense totaled approximately $145,000 and $177,000 for the years ended June 30, 2011 and 2010, respectively. Settled claims have not exceeded available coverage in any of the past three years.

Note 9. Self Insurance, Commitments and Contingent Liabilities (Continued)

Health plan self-insurance:

The Organization is self-insured for its employee health and dental insurance plans. The self-insured claims are processed through a plan administrator. The Organization has stop-loss coverage for claims in excess of $40,000 per individual per plan year with a $3,000,000 lifetime maximum per individual.

Liabilities are reported when it is probable that a loss will occur, and the amount of the loss can be reasonably estimated. Claims liabilities are calculated considering recent claims, settlement trends, including frequency and amount of payouts, and other economic and social factors. The following is a summary of estimated claims liability for the years ended June 30, 2011 and 2010. The Organization has recorded a current liability for open claims and claims incurred but not reported.

	2011	2010
Balance, beginning	$ 100,000	$ 125,000
Claims expense	984,288	897,614
Claims payment	(959,288)	(922,614)
Balance, ending	$ 125,000	$ 100,000

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Organization’s financial position.

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. During fiscal year 2007, the RAC’s identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. As such, the Organization may be subject to such an audit at some time in the future. The final impact of this program cannot be quantified at this time.

Note 9. Self Insurance, Commitments and Contingent Liabilities (Continued)

Health care reform:

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Current economic conditions:

The current economic environment presents organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Organization’s patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Organization’s future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact the Organization’s ability to meet debt covenants or maintain sufficient liquidity.

Note 10. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Organization sponsors a post-retirement medical plan that provides post-termination medical insurance coverage for the participant and the participant’s family through age 65. The employees eligible under this policy are all employees who terminate employment at or after age 55 with at least 3 years of service. Prior to the participants’ age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Organization provides to all full-time employees. The plan coverage terminates upon the participant reaching Medicare eligibility (age 65).

The Organization pays for all or a portion of active employees’ coverage. The amount depends on whether single for family coverage is elected. Upon retirement, the retired participant continuing their coverage pays the premium including any increase in single premium after retirement. The required contribution is based on projected pay-as-you-go financing requirements. The Organization contributed approximately $41,000 and $36,000 to the plan during the years ended June 30, 2011 and 2010, respectively.

Note 10. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation:

The Organization's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the 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 Organization's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Organization's annual OPEB obligation:

	2011	2010
Annual required contribution	$ 116,000	$ 98,000
Interest on net OPEB obligation	6,000	2,925
Annual OPEB cost (expense)	122,000	100,925
Contributions made	41,000	35,925
Increase in net OPEB obligation	81,000	65,000
Net OPEB obligation, beginning of year	130,000	65,000
Net OPEB obligation, end of year	$ 211,000	$ 130,000

The Organization's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2009 through 2011 are as follows:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended June 30:			
2011	$ 122,000	33.6%	$ 211,000
2010	100,925	35.6	130,000
2009	98,000	33.7	65,000

Funded status and funding progress:

OPEB obligations under GASB Statement No. 45 as of July 1, 2010 the most recent actuarial valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2010	$ -	$ 808,000	$ 808,000	-
July 1, 2008	-	$ 615,000	$ 615,000	-

The covered payroll (annual payroll of active employees covered by the plan) was $8,098,845 and the ratio of UAAL to covered payroll was 9.98%.

Note 10. Other Postemployment Benefits (OPEB) (Continued)

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the Unfunded Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over a maximum of 30 years in level dollar amounts on a closed and level percent of payroll basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4.5% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Organization adopted the following GASB Statement during the fiscal year ended June 30, 2011:

GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The Organization's financial statements were not affected by the implementation of this standard.

As of June 30, 2011, the GASB has issued the following Statements not yet implemented by the Organization which might impact the Organization:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* issued January 2010, will be effective for the Organization beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Organization beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the Organization beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (*a*) the collectability of swap payments is considered to be probable, (*b*) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (*c*) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The Organization’s management has not yet determined the effect these Statements will have on their financial statements.

Clarinda Regional Health Center

Required Supplementary Information, Budget and Budgetary Accounting
Year Ended June 30, 2011

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The budgetary basis is non-GAAP basis adjusted for equipment improvements and lease payments. There were no amendments to the budget in the current year.

The following is a comparison of actual expenses to budget for the year ended June 30, 2011:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget, Budgetary Basis
$ 20,395,556	$ -	$ 20,395,556	$ 20,179,371

Clarinda Regional Health Center

Required Supplementary Information, Other Postemployment Benefit Plan
Year Ended June 30, 2011

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2011	7/1/2010		**$ 808,000**	**$ 808,000**	**0.00%**	**$ 8,098,845**	**9.98%**
2010	7/1/2008	-	615,000	615,000	0.00%	7,608,036	8.08%
2009	7/1/2008	-	615,000	615,000	0.00%	7,136,867	8.62%

NOTE: Fiscal year 2009 was the transition year for GASB Statement No. 45

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2010. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0-10.0%; discount rate of 4.5%.
4. The amortization method is closed period, level percent of payroll basis.

Clarinda Regional Health Center

Net Patient Service Revenue
Years Ended June 30, 2011 and 2010

	Total	
	2011	2010
Routine services, medical and surgical	**$ 1,556,721**	$ 1,434,256
Other nursing services:		
Operating room	**2,624,379**	1,675,234
Recovery room	**194,322**	154,885
Emergency room	**1,864,956**	1,528,123
Home health agency	**31,843**	23,902
	4,715,500	3,382,144
Other professional services:		
Ambulance	**912,425**	913,137
Anesthesiology	**681,517**	474,120
Blood service	**58,710**	52,711
Cardiac rehabilitation	**466,299**	576,685
Clinic	**656,943**	756,077
CT scan	**3,115,836**	2,980,149
Diabetes Management	**13,750**	-
Dietary Consulting	**5,754**	-
Education	**75**	-
Electrocardiology	**160,718**	147,605
Hypnotherapy	**5,860**	6,053
Inhalation therapy	**972,024**	1,054,827
Intravenous therapy	**571,151**	1,211,786
Laboratory	**4,705,309**	4,307,784
Nuclear medicine	**337,035**	250,768
Occupational therapy	**294,285**	270,508
Pharmacy	**3,865,173**	3,543,689
Physical therapy	**1,078,880**	881,575
Radiology	**2,681,321**	2,593,246
Speech therapy	**102,081**	29,836
Ultrasound	**380,732**	325,808
Villisca Rural Health Clinic	**169,102**	159,398
Wound care	**75,579**	59,873
Clarinda Medical Associates	**3,587,707**	3,031,493
	24,898,266	23,627,128
	31,170,487	28,443,528
Less charity care	**101,745**	195,303
Gross patient service revenue	**31,068,742**	28,248,225
Less contractual adjustments and bad debts	**12,060,782**	10,131,640
Net patient service revenue	**$ 19,007,960**	$ 18,116,585

Inpatient		Outpatient	
2011	2010	**2011**	2010
$ 1,320,409	$ 1,268,466	**$ 236,312**	$ 165,790
375,447	197,743	**2,248,932**	1,477,491
15,155	11,404	**179,167**	143,481
29,417	25,348	**1,835,539**	1,502,775
-	-	**31,843**	23,902
420,019	234,495	**4,295,481**	3,147,649
-	-	**912,425**	913,137
68,695	46,259	**612,822**	427,861
29,284	29,840	**29,426**	22,871
67,031	126,940	**399,268**	449,745
2,322	3,210	**654,621**	752,867
376,726	326,742	**2,739,110**	2,653,407
-	-	**13,750**	-
-	-	**5,754**	-
-	-	**75**	-
18,062	16,574	**142,656**	131,031
-	-	**5,860**	6,053
652,924	749,924	**319,100**	304,903
103,650	88,129	**467,501**	1,123,657
500,420	429,576	**4,204,889**	3,878,208
10,802	11,036	**326,233**	239,732
68,546	65,095	**225,739**	205,413
1,042,331	1,099,499	**2,822,842**	2,444,190
85,271	90,298	**993,609**	791,277
163,625	201,264	**2,517,696**	2,391,982
5,294	1,981	**96,787**	27,855
31,250	43,429	**349,482**	282,379
-	-	**169,102**	159,398
12,213	19,987	**63,366**	39,886
-	-	**3,587,707**	3,031,493
3,238,446	3,349,783	**21,659,820**	20,277,345
$ 4,978,874	$ 4,852,744	**$ 26,191,613**	$ 23,590,784

Clarinda Regional Health Center

Adjustments to Patient Service Revenue and Other Revenue
Years Ended June 30, 2011 and 2010

		2011		2010
Adjustments to patient service revenue:				
Contractual adjustments:				
Medicare	**$**	**5,869,467**	$	4,873,267
Medicaid		**1,055,207**		930,073
Other		**4,166,620**		3,602,068
Provision for bad debts		**969,488**		726,232
Total contractual adjustments and bad debts	**$**	**12,060,782**	$	10,131,640
Other revenue:				
Lifeline, net	**$**	**15,676**	$	6,449
Dietary		**10,431**		12,510
Employee meals		**73,525**		72,665
Meals on wheels and congregate meals		**54,157**		58,111
Wellness program		**26,001**		13,439
Medical records transcripts		**6,196**		7,059
Other miscellaneous		**94,104**		(4,427)
Total other revenue	**$**	**280,090**	$	165,806

Clarinda Regional Health Center

Operating Expenses
Years Ended June 30, 2011 and 2010

	Total	
	2011	2010
Nursing services:		
Nursing administration	**$ 147,423**	$ 103,846
Routine care	**1,153,262**	1,131,215
Operating room	**1,142,709**	759,008
Emergency room	**817,150**	786,579
Home health agency	**55,031**	54,686
	3,315,575	2,835,334
Other professional services:		
Ambulance	**250,765**	245,843
Anesthesiology	**26,719**	12,848
Cardiac rehabilitation	**93,338**	99,391
Central service and supply	**73,019**	71,510
Clinic	**276,881**	270,681
CT scan	**114,264**	185,550
Electrocardiology	**6,310**	9,389
Hypnotherapy	**3,101**	2,785
Inhalation therapy	**238,907**	224,310
Laboratory	**751,710**	685,316
Nuclear medicine	**152,569**	107,398
Occupational therapy	**4,201**	4,482
Performance management	**68,860**	39,955
Pharmacy	**1,348,864**	1,520,850
Physical therapy	**82,518**	80,909
Radiology	**709,200**	656,750
Speech therapy	**92,743**	36,815
Ultrasound	**68,062**	69,144
Clarinda Medical Associates	**1,874,436**	1,921,935
Villisca Rural Health Clinic	**113,870**	120,960
Wellness	**84,284**	15,107
Wound care	**58,169**	55,514
	$ 6,492,790	$ 6,437,442

Salaries		Other	
2011	2010	**2011**	2010
$ 142,426	$ 102,662	**$ 4,997**	$ 1,184
941,758	962,592	**211,504**	168,623
671,297	411,306	**471,412**	347,702
756,607	736,177	**60,543**	50,402
50,449	50,575	**4,582**	4,111
2,562,537	2,263,312	**753,038**	572,022
150,938	153,076	**99,827**	92,767
-	-	**26,719**	12,848
51,848	65,670	**41,490**	33,721
73,019	73,333	**-**	(1,823)
241,753	235,983	**35,128**	34,698
-	-	**114,264**	185,550
3,397	3,402	**2,913**	5,987
2,416	2,755	**685**	30
149,692	133,132	**89,215**	91,178
294,132	283,083	**457,578**	402,233
-	-	**152,569**	107,398
-	-	**4,201**	4,482
65,500	39,765	**3,360**	190
149,665	154,125	**1,199,199**	1,366,725
70,564	71,267	**11,954**	9,642
388,479	386,773	**320,721**	269,977
83,578	35,224	**9,165**	1,591
54,887	55,053	**13,175**	14,091
1,874,436	1,921,935	**-**	-
94,711	101,770	**19,159**	19,190
52,274	-	**32,010**	15,107
56,451	55,514	**1,718**	-
$ 3,857,740	$ 3,771,860	**$ 2,635,050**	$ 2,665,582

(Continued)

Clarinda Regional Health Center

Operating Expenses (Continued)
Years Ended June 30, 2011 and 2010

	Total	
	2011	2010
General services:		
Diabetes management	**$ 24,072**	$ 15,383
Dietary	**588,613**	574,203
Operation of plant	**409,349**	417,567
Clarinda Medical Foundation	**93,478**	84,091
Housekeeping	**310,659**	303,552
	1,426,171	1,394,796
Administrative services:		
Medical records	**410,808**	414,766
Social services	**54,862**	48,812
Administration	**1,922,182**	1,913,730
Community relations	**54,973**	142,783
Quality improvement	**81,690**	101,999
Infection control	**57,637**	57,329
Clarinda Medical Association	**165,430**	189,495
Data processing	**491,310**	340,503
	3,238,892	3,209,417
Employee benefits	**2,486,214**	2,248,366
Medical professional fees	**1,207,155**	1,023,236
Depreciation and amortization	**2,217,828**	807,284
Interest	**10,931**	14,289
	$ 20,395,556	$ 17,970,164

Salaries		Other	
2011	2010	**2011**	2010
$ 22,555	$ 14,855	**$ 1,517**	$ 528
350,944	348,526	**237,669**	225,677
170,587	158,064	**238,762**	259,503
77,430	53,029	**16,048**	31,062
177,445	174,118	**133,214**	129,434
798,961	748,592	**627,210**	646,204
231,863	249,054	**178,945**	165,712
53,544	48,557	**1,318**	255
686,002	669,825	**1,236,180**	1,243,905
37,506	34,542	**17,467**	108,241
79,739	99,829	**1,951**	2,170
49,282	50,474	**8,355**	6,855
-	-	**165,430**	189,495
105,642	77,896	**385,668**	262,607
1,243,578	1,230,177	**1,995,314**	1,979,240
-	-	**2,486,214**	2,248,366
-	-	**1,207,155**	1,023,236
-	-	**2,217,828**	807,284
-	-	**10,931**	14,289
$ 8,462,816	$ 8,013,941	**$ 11,932,740**	$ 9,956,223

Clarinda Regional Health Center

Aging Analysis of Accounts Receivable from Patients and Allowance for Doubtful Accounts
Years Ended June 30, 2011 and 2010

Aging Analysis of Accounts Receivable (by Date of Discharge)	2011 Amount	2011 Percent	2010 Amount	2010 Percent
1-30 days, includes patients in Hospital June 30	**$ 2,293,110**	**54%**	$ 2,014,401	55%
30-60 days	**552,474**	**13**	490,292	13
61-90 days	**327,964**	**8**	258,834	7
91-120 days	**320,743**	**8**	175,805	5
121 days and over	**790,014**	**18**	712,133	20
	4,284,305	**100%**	3,651,465	100%
Home health and other	**2,735**		2,037	
Total accounts receivable	**4,287,040**		3,653,502	
Less allowance for contractual adjustments	**1,075,913**		893,324	
Less allowance for doubtful accounts	**827,838**		741,940	
	$ 2,383,289		$ 2,018,238	
Net patient service revenue per calendar day, excludes bad debt	**$ 52,077**		$ 49,634	
Days of net patient service revenue in accounts receivable at year-end	**46**		41	

Allowance for Doubtful Accounts	2011 Amount	2011 Percent of Net Patient Service Revenue	2010 Amount	2010 Percent of Net Patient Service Revenue
Beginning balance	**$ 741,940**		$ 820,280	
Add:				
Provision for bad debts	**1,175,749**	**6.19%**	981,117	5.42%
Recoveries previously written off	**(206,261)**	**(1.09)**	(254,885)	(1.41)
	1,711,428		1,546,512	
Deduct accounts written off	**883,590**	**(4.65)**	804,572	(4.44)
Balance ending	**$ 827,838**		$ 741,940	

Clarinda Regional Health Center

Inventories and Prepaid Expenses
June 30, 2011 and 2010

	2011	2010
Inventories:		
General	$ 193,952	$ 195,621
Pharmacy	239,577	241,896
Dietary	11,762	11,796
Office supplies	8,182	5,078
	$ 453,473	$ 454,391
Prepaid expenses:		
Insurance	$ 55,361	$ 83,083
Maintenance and other	59,793	58,707
	$ 115,154	$ 141,790

Clarinda Regional Health Center

Schedule of Insurance
Year Ended June 30, 2011
(Unaudited)

Coverage Type	Coverage Period		Coverage Amount
Property, including rental dwellings	6/1/11 thru 5/31/12	$	18,549,000
General liability	6/1/11 thru 5/31/12		1,000,000/3,000,000
Professional	6/1/11 thru 5/31/12		1,000,000/3,000,000
Automobile	6/1/11 thru 5/31/12		1,000,000
Directors and officers liability	7/1/11 thru 7/1/12		1,000,000/3,000,000
Umbrella, excess liability	6/1/11 thru 5/31/12		3,000,000
Workers' compensation	4/1/11 thru 3/31/12		500,000/500,000
Builders risk	7/1/10 thru 3/1/12		23,000,000
In transit	7/1/10 thru 3/1/12		100,000
Offsite storage	7/1/10 thru 3/1/12		100,000

Clarinda Regional Health Center

Comparative Statistics
Years Ended June 30, 2011 and 2010
(Unaudited)

	2011	2010
Acute:		
Admissions	**447**	453
Discharges	**439**	450
Patient days	**1,229**	1,272
Average length of stay	**2.7**	2.8
Swing bed:		
Admissions	**129**	131
Discharges	**134**	128
Patient days	**820**	763