



Financial Statements
June 30, 2013 and 2012



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Greene County Medical Center
Board of Trustees and Medical Center Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Trustees</u>	
James Schleisman	Chairperson	December 31, 2016
David Hoyt	Vice Chairperson	December 31, 2018
Ralph Riedesel	Treasurer	December 31, 2018
Judith Sankot	Secretary	December 31, 2016
Kim Bates	Member	December 31, 2014
Douglas Hawn	Member	December 31, 2014
William Raney	Member	December 31, 2016
	<u>Medical Center Officials</u>	
Carl Behne	Chief Executive Officer	
Mark VanderLinden	Chief Financial Officer	



Independent Auditor's Report

The Board of Trustees
Greene County Medical Center
Jefferson, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Greene County Medical Center (Medical Center) and its discretely presented component unit, Greene County Medical Center Foundation (Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center and its discretely presented component unit's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center and its discretely presented component unit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center and its discretely presented component unit as of June 30, 2013 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Greene County Medical Center and its discretely presented component unit as of June 30, 2012 were audited by other auditors, whose report dated December 4, 2012, expressed an unmodified opinion on those statements.

Effect of Adopting New Accounting Standard

As discussed in Note 18 to the financial statements, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, during the year ended June 30, 2013. The adoption of GASB Statement No. 61 resulted in reporting the Foundation as a discretely presented component unit rather than a blended component unit as was previously presented in the 2012 financial statements. Accordingly, amounts have been restated in the 2012 financial statements now presented.

Restatement Due to Correction of an Error

The financial statements of Greene County Medical Center and its discretely presented component unit as of June 30, 2012 were audited by other auditors, whose report dated December 4, 2012, expressed an unmodified opinion on those statements. As discussed in Note 18 to the financial statements, the Medical Center and its discretely presented component unit discovered an error in the accounting for the Evergreene Ridge building, an asset of the Foundation, and accordingly have restated the accompanying 2012 financial statements. The other auditors reported on the 2012 financial statements before the restatement.

As a part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 18 that were made to restate the 2012 financial statements for the correction of an error. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Medical Center and its discretely presented component unit other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 and the Budgetary Comparison Information on pages 38 and 39 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2014, on our consideration of the Medical Center's internal control over financial reporting and on 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* in considering the Medical Center's internal control over financial reporting and compliance.

Eide Sully LLP

March 3, 2014
Dubuque, Iowa

This discussion and analysis of the financial performance of Greene County Medical Center provides an overall review of the Medical Center's financial activities and balances as of and for the years ended June 30, 2013, 2012, and 2011. The intent of this discussion is to provide further information on the Medical Center's performance as a whole. We encourage readers to consider the information presented here in conjunction with the Medical Center's financial statements, including the notes thereto to enhance their understanding of the Medical Center's financial status.

Overview of the Financial Statements

The financial statements are composed of the balance sheets, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Medical Center's finances.

The Medical Center's financial statements offer short and long term information about its activities. The balance sheets include all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). The balance sheets also provide 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 statements of revenues, expenses, and changes in net position. These statements measure the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statements of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report the net position of the Medical Center and the changes in it. The Medical Center's net position - the difference between assets and liabilities/deferred inflows of resources - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

- The Balance Sheet at June 30, 2013, indicates total assets of \$22,938,892, total liabilities of \$3,561,132, deferred inflows of resources of \$2,321,355, and net position of \$17,056,405.
- The Statement of Revenues, Expenses, and Changes in Net Position indicates total operating revenues of \$19,009,185 decreased 5.5% over the previous fiscal year, total operating expenses of \$22,300,712 decreased 1.9% from the previous fiscal year, resulting in an operating loss of \$3,291,527, a 17.3% negative operating margin. Net non-operating revenues of \$1,691,232 bring the revenues less than expenses to \$1,600,295, a 69.1% decrease from the previous fiscal year.
- The Medical Center's current assets exceeded its current liabilities by \$6,575,681 at June 30, 2013, providing a 2.67 current ratio.

Organization Highlights

Greene County Medical Center continued to make many positive changes over this last fiscal year, including:

- Contracted laundry services with MHTS
- Added a new CRNA group for the medical center to expand anesthesia coverage
- Established a new relationship with 21st Century Rehab
- Changed Group Purchasing Organizations to realize better savings through the UnityPoint relationship
- Attested for Meaningful Use Stage 1
- Moved forward with a new building expansion & renovation project and hired HGA as the architectural firm

Capital Assets

Significant capital asset purchases included:

- Ultra G treadmill for Physical Therapy \$47,000
- Information Technology equipment for the Broadband Technology Opportunity Program \$127,000
- Information Technology equipment and software for Electronic Health Records \$520,000
- 10 new beds for Long Term Care \$50,000
- Updated & renovated an elevator and controls \$70,000
- New flooring in the Emergency Department \$30,000
- Remodeled a portion of the Medical Office Building \$50,000

Long-Term Debt

At year end, Greene County Medical Center had \$362,347 in short-term and long-term debt, mainly consisting of capital lease liabilities.

Economic and Other Factors and Next Year's Budget

The Medical Center's Board and Management considered many factors when preparing the fiscal year 2014 budget. Of primary consideration in the 2014 budget are the unknowns of health care reform and the continued difficulty in the status of the economy.

Items listed below were also considered.

- Medicare and Medicaid reimbursement rates
- Managed Care contracts
- Increase in self pay accounts receivable due to uninsured and underinsured
- Staffing benchmarks
- Increased expectations for quality at a lower price

Strategic Initiatives for the Medical Center in 2014 are:

- Service – Improve patient perception on Press Ganey, HCAHPS & Quality scores
- Finance – Create a plan to focus on overall revenue enhancement; creation of a scalable & sustainable cost reduction plan
- Quality – Advance care coordination throughout the Medical Center and communities we serve
- People – Enhance physician alignment and engagement with the Medical Center
- Growth – Create synergy within the above mentioned areas allowing us to strengthen market position and accomplish our mission

Condensed Financial Statements

Balance Sheets

	<u>June 30,</u> 2013	<u>June 30,</u> 2012	<u>June 30,</u> 2011
Assets		(As restated)	(As restated)
Current Assets			
Cash and cash equivalents	\$ 3,357,355	\$ 1,180,600	\$ 1,898,477
Patient and resident receivables, net of estimated uncollectables	2,892,432	3,581,724	3,467,058
Succeeding year property tax	1,656,346	1,562,000	1,501,000
Estimated third-party payor settlements	-	970,000	-
Electronic health records incentive payment	886,679	-	-
Other assets	<u>1,182,613</u>	<u>1,010,865</u>	<u>1,012,211</u>
Total current assets	<u>9,975,425</u>	<u>8,305,189</u>	<u>7,878,746</u>
Assets Limited as to Use or Restricted	<u>3,889,426</u>	<u>3,868,061</u>	<u>5,206,869</u>
Capital Assets, Net	<u>8,949,182</u>	<u>9,942,590</u>	<u>9,948,407</u>
Other Assets			
Notes receivable	<u>124,859</u>	<u>221,335</u>	<u>342,811</u>
Total assets	<u><u>\$ 22,938,892</u></u>	<u><u>\$ 22,337,175</u></u>	<u><u>\$ 23,376,833</u></u>

Condensed Financial Statements

Balance Sheets (continued)

	<u>June 30,</u> 2013	<u>June 30,</u> 2012 (As restated)	<u>June 30,</u> 2011 (As restated)
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 200,959	\$ 225,051	\$ 220,921
Accounts payable	455,291	329,005	760,299
Estimated third party payor settlements	1,185,504	-	193,000
Accrued expenses	<u>1,557,990</u>	<u>1,643,582</u>	<u>1,397,682</u>
Total current liabilities	3,399,744	2,197,638	2,571,902
Long-Term Debt, Less Current Maturities	<u>161,388</u>	<u>362,347</u>	<u>587,398</u>
Total liabilities	<u>3,561,132</u>	<u>2,559,985</u>	<u>3,159,300</u>
Deferred Inflows of Resources			
Deferred revenue for succeeding year property tax	1,656,346	1,562,000	1,501,000
Electronic health record incentive	<u>665,009</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,321,355</u>	<u>1,562,000</u>	<u>1,501,000</u>
Net Position			
Net investment in capital assets	8,586,835	9,355,192	9,272,009
Restricted	378,006	382,050	387,485
Unrestricted	<u>8,091,564</u>	<u>8,477,948</u>	<u>9,057,039</u>
Total net position	<u>17,056,405</u>	<u>18,215,190</u>	<u>18,716,533</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 22,938,892</u></u>	<u><u>\$ 22,337,175</u></u>	<u><u>\$ 23,376,833</u></u>

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2013	2012	2011
Operating Revenues		(As restated)	(As restated)
Net patient and resident service revenue (net of provision for bad debts)	\$ 17,602,868	\$ 19,142,428	\$ 17,741,073
Other operating revenues	1,406,317	978,163	298,592
Total Operating Revenues	19,009,185	20,120,591	18,039,665
Operating Expenses			
Salaries and wages	9,801,281	10,267,761	9,523,316
Supplies and other expenses	10,706,161	10,761,989	9,446,422
Depreciation and amortization	1,793,270	1,691,690	1,522,992
Total Operating Expenses	22,300,712	22,721,440	20,492,730
Operating Loss	(3,291,527)	(2,600,849)	(2,453,065)
Nonoperating Revenues (Expenses)			
County tax revenue	1,621,878	1,557,202	1,238,074
Noncapital grants and contributions	52,252	85,192	924,429
Interest and amortization expense	(7,765)	(11,896)	(16,183)
Investment income	13,867	21,544	39,897
Gain on disposal of capital assets	11,000	2,301	-
Net Nonoperating Revenues	1,691,232	1,654,343	2,186,217
Revenues Less Than Expenses	(1,600,295)	(946,506)	(266,848)
Transfer from the County of Greene	160,908	-	-
Transfers from Foundation	164,637	69,570	-
Change in Scholarship funds	(4,044)	(8,000)	(14,000)
Capital Grants and Contributions	120,009	383,593	407,530
Change in Net Position	(1,158,785)	(501,343)	126,682
Net Position Beginning of Year, as Restated	18,215,190	18,716,533	18,589,851
Net Position End of Year	\$ 17,056,405	\$ 18,215,190	\$ 18,716,533

Summary

Greene County Medical Center's Governing Board of Trustees continues to be extremely proud of the excellent patient care, dedication, commitment and support each of our 237 employees provides to every person they serve. We would also like to thank each member of the Medical Staff for their dedication and support provided.

Contacting the Medical Center's Finance Department

The Medical Center's financial statements are designed to present users with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability. If you have questions about the report or need additional financial information, please contact the finance department at the following address:

Greene County Medical Center
Attn: Chief Financial Officer
1000 W. Lincoln Way Street
Jefferson, IA 50129

	2013	2012 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,357,355	\$ 1,180,600
Receivables		
Patient and resident, net of estimated uncollectables of \$700,000 in 2013 and \$893,000 in 2012	2,892,432	3,581,724
Succeeding year property tax	1,656,346	1,562,000
Estimated third-party payor settlements	-	970,000
Electronic health records incentive payment - Note 16	886,679	-
Current portion of notes receivable	96,475	96,475
Other	226,994	140,559
Supplies	244,952	247,623
Prepaid expense	614,192	526,208
	<u>9,975,425</u>	<u>8,305,189</u>
Assets Limited as to Use or Restricted - Note 3		
Investments by board for capital improvements	3,511,420	3,486,011
Restricted scholarship funds - Note 8		
Cash and investments	308,951	307,574
Loans receivable	69,055	74,476
	<u>3,889,426</u>	<u>3,868,061</u>
Capital Assets - Note 5		
Capital assets not being depreciated	494,454	181,805
Depreciable capital assets, net of accumulated depreciation	8,454,728	9,760,785
	<u>8,949,182</u>	<u>9,942,590</u>
Other Assets		
Notes receivable	124,859	221,335
	<u>124,859</u>	<u>221,335</u>
	<u>\$ 22,938,892</u>	<u>\$ 22,337,175</u>

See Notes to Financial Statements

Greene County Medical Center
Balance Sheets
June 30, 2013 and 2012

	2013	2012
Liabilities, Deferred Inflows of Resources, and Net Position		(As Restated)
Current Liabilities		
Current maturities of long-term debt - Note 7	\$ 200,959	\$ 225,051
Accounts payable		
Trade	378,143	274,587
Construction	77,148	54,418
Estimated third-party payor settlements	1,185,504	-
Accrued expenses		
Salaries and wages	404,497	413,875
Paid leave	979,727	1,054,791
Payroll taxes and other	173,766	174,916
	3,399,744	2,197,638
Long-Term Debt, Less Current Maturities - Note 7	161,388	362,347
Total liabilities	3,561,132	2,559,985
Deferred Inflows of Resources		
Deferred revenue for succeeding year property tax receivable	1,656,346	1,562,000
Electronic health record incentive - Note 16	665,009	-
	2,321,355	1,562,000
Net Position		
Net investment in capital assets	8,586,835	9,355,192
Restricted		
Scholarship fund - nonexpendable - Note 8	275,000	275,000
Scholarship fund - expendable - Note 8	103,006	107,050
Unrestricted	8,091,564	8,477,948
Total net position	17,056,405	18,215,190
Total liabilities, deferred inflows of resources, and net position	\$ 22,938,892	\$ 22,337,175

Greene County Medical Center Foundation
 Statements of Financial Position – Foundation
 June 30, 2013 and 2012

	2013	2012 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 212,566	\$ 334,869
Investments	1,202,956	1,302,807
Total current assets	1,415,522	1,637,676
Investments	1,066,613	836,158
Property and Equipment		
Building	2,649,305	2,649,305
Equipment	13,800	13,800
Accumulated depreciation	(1,677,893)	(1,589,583)
Property and equipment, net	985,212	1,073,522
Total assets	\$ 3,467,347	\$ 3,547,356
Liabilities and Net Assets		
Current Liabilities		
Annuity payable	\$ 10,230	\$ 20,000
Net Assets		
Unrestricted	3,347,215	3,417,454
Temporarily restricted	109,902	109,902
Total net assets	3,457,117	3,527,356
Total liabilities and net assets	\$ 3,467,347	\$ 3,547,356

Greene County Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
Operating Revenues		
Net patient and resident service revenue (net of provision for bad debts of \$1,397,954 in 2013 and \$707,275 in 2012) - Note 2	\$ 17,602,868	\$ 19,142,428
Other operating revenues	1,406,317	978,163
Total Operating Revenues	19,009,185	20,120,591
Operating Expenses		
Salaries and wages	9,801,281	10,267,761
Supplies and other expenses	10,706,161	10,761,989
Depreciation and amortization	1,793,270	1,691,690
Total Operating Expenses	22,300,712	22,721,440
Operating Loss	(3,291,527)	(2,600,849)
Nonoperating Revenues (Expenses)		
County tax revenue	1,621,878	1,557,202
Noncapital Grants and Contributions	52,252	85,192
Interest and amortization expense	(7,765)	(11,896)
Investment income	13,867	21,544
Gain on disposal of capital assets	11,000	2,301
Net Nonoperating Revenues	1,691,232	1,654,343
Revenues Less Than Expenses	(1,600,295)	(946,506)
Transfer from Greene County	160,908	-
Transfers from Foundation	164,637	69,570
Change in Scholarship Funds	(4,044)	(8,000)
Capital Grants and Contributions	120,009	383,593
Change in Net Position	(1,158,785)	(501,343)
Net Position Beginning of Year, As Restated	18,215,190	18,716,533
Net Position End of Year	\$ 17,056,405	\$ 18,215,190

Greene County Medical Center Foundation
 Statements of Activities and Changes in Net Assets – Foundation
 Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 229,731	\$ 80,852
Investment income	24,342	40,683
Total unrestricted revenues, gains, and other support	254,073	121,535
Expenses		
Salaries and benefits	68,067	67,703
Administration and fundraising	28,229	16,283
Depreciation	88,310	88,310
Transfers to Greene County Medical Center	164,637	69,570
Scholarships	7,288	9,131
Total expenses	356,531	250,997
Operating Loss	(102,458)	(129,462)
Change in Unrealized Gains (Losses) on Investments	32,219	3,822
Change in Net Assets	(70,239)	(125,640)
Net Assets, Beginning of Year, As Restated	3,527,356	3,652,996
Net Assets, End of Year	\$ 3,457,117	\$ 3,527,356

Greene County Medical Center
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
Cash Flows from Operating Activities		
Receipts of patient and resident service revenue	\$ 20,447,664	\$ 17,864,762
Payments of salaries, wages, and benefits	(9,886,873)	(10,021,861)
Payments of supplies and other expenses	(10,591,442)	(10,771,283)
Other receipts	1,098,212	938,756
	1,067,561	(1,989,626)
Cash Flows from Noncapital Financing Activities		
County tax revenue received	1,621,878	1,557,202
Noncapital grants and contributions	52,252	85,192
	1,674,130	1,642,394
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(799,862)	(1,686,396)
Proceeds from sale of capital assets	11,000	2,824
Increase (decrease) in construction payable	22,730	(259,771)
Capital contributions and grants	120,009	383,593
Transfers from Foundation and Greene County	325,545	69,570
Cash paid on capital lease obligations	(202,829)	(198,699)
Principal paid on debt	(22,222)	(22,222)
Interest paid on debt	(7,765)	(11,896)
	(553,394)	(1,722,997)
Cash Flows from Investing Activities		
Proceeds from sale of assets limited as to use or restricted	3,447	1,248,496
Change in scholarship funds	(4,044)	(8,000)
Investment income	13,867	21,544
	13,270	1,262,040
Net Cash provided by Investing Activities	13,270	1,262,040
Net Change in Cash and Cash Equivalents	2,201,567	(808,189)
Cash and Cash Equivalents at Beginning of Year, As Restated	2,914,730	3,722,919
Cash and Cash Equivalents at End of Year	\$ 5,116,297	\$ 2,914,730

Greene County Medical Center
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash in current assets	\$ 3,357,355	\$ 1,180,600
Cash and cash equivalents in designated and restricted assets	1,758,942	1,734,130
Total Cash and Cash Equivalents	\$ 5,116,297	\$ 2,914,730
Reconciliation of Operating Loss to Net Cash Provided by (used for) Operating Activities		
Operating loss	\$ (3,291,527)	\$ (2,600,849)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation and amortization	1,793,270	1,691,690
Amortization of notes receivable	96,476	121,476
Provision for bad debts	1,397,954	707,275
Changes in assets, liabilities, and deferred inflows of resources		
Receivables	(795,097)	(861,348)
Supplies	2,671	6,280
Prepaid expense	(87,984)	34,473
Accounts payable - trade	103,556	(171,523)
Estimated third-party payor settlements	2,155,504	(1,163,000)
Accrued expenses	(85,592)	245,900
Electronic health record incentive payment	(221,670)	-
Net Cash provided by (used for) Operating Activities	\$ 1,067,561	\$ (1,989,626)

Greene County Medical Center Foundation
 Statements of Cash Flows – Foundation
 Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
Operating Activities		
Change in net assets	\$ (70,239)	\$ (125,640)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	88,310	88,310
Change in unrealized gains and losses on investments	(32,219)	(3,822)
Changes in assets and liabilities		
Annuity payable	(9,770)	-
Accrued expenses	-	(7,396)
	(23,918)	(48,548)
Net Cash used for Operating Activities		
Investing Activities		
Notes receivable payments received	-	65,000
Change in investments	(98,385)	122,369
	(98,385)	187,369
Net Cash provided by (used for) Investing Activities		
Financing Activities		
Principal paid on long-term debt	-	(6,442)
	(122,303)	132,379
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	334,869	202,490
Cash and Cash Equivalents, End of Year	\$ 212,566	\$ 334,869

Note 1 - Organization and Significant Accounting Policies

Organization

Greene County Medical Center (Medical Center) is a 25-bed public hospital located in Jefferson, Iowa, organized under Chapter 347 of the Iowa Code and governed by a seven member Board of Trustees elected for alternating terms of six years. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson, Iowa, and the surrounding area.

Reporting Entity

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. 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. Governmental Accounting Standards Board (GASB) No. 61 requires organizations that are "closely related to, or financially integrated with" the primary government be evaluated as potential component units by the primary government. Under the provisions of GASB No. 61, Greene County Medical Center Foundation (Foundation) is included in the Medical Center's financial statements as a discretely presented component unit. The Medical Center has no other component units which meet the Governmental Accounting Standards Board criteria.

Greene County Medical Center Foundation is a legally separate component unit of the Medical Center that solicits funds for the promotion of health care throughout Greene County by supporting those activities which carry out the health care missions of Greene County Medical Center. The Foundation's financial statements have been included as a discretely presented component unit. 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. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship to the Medical Center.

Salaries and benefits for the Foundation are initially paid by the Medical Center and then reimbursed to the Medical Center by the Foundation.

Tax Exempt Status

The Medical Center is exempt from taxes as a political subdivision.

The Foundation is an Iowa non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation would be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Foundation believes that it has appropriate support for any tax positions taken affecting annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Basis of Presentation

The balance sheet displays the Medical Center's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes, capital lease obligations, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Medical Center's policy to use restricted resources first.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Medical Center's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less for the Medical Center. Foundation cash and cash equivalents include highly liquid investments with an original maturity of three months or less, except those classified as investments.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed. Payments of patient and resident receivables are allocated to specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients and residents who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients and residents (which includes both patients and residents without insurance and patients and residents with deductible and copayment balances for which third-party coverage exists for part of the bill), the Medical Center records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Medical Center's process for calculating the allowance for doubtful accounts for self-pay patients and residents has changed from June 30, 2012 to June 30, 2013. Beginning during 2013, the Medical Center now writes off accounts receivable once they are sent to collections. An adjustment was made during 2013 to write off accounts that were sent to collections previously and not written off. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Medical Center has not significantly changed its charity care or uninsured discount policies during fiscal years 2013 or 2012.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Trustees 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 Trustees 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 that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Supplies

Supplies are stated at lower of average cost or market.

Assets Limited as to Use or Restricted

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and restricted scholarship funds, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Medical Center for its stated purposes.

Capital Assets

Capital assets acquisitions in excess of \$5,000 are capitalized and recorded at cost. Capital assets donated for Medical Center operations are recorded as additions to net position at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest expense related to construction projects is capitalized. The estimated useful lives of property and equipment are as follows:

Land improvements	15-40 years
Buildings and improvements	15-40 years
Equipment	2-20 years

Deferred Outflows and Inflows of Resources

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Medical Center has no items that qualify for reporting in this category.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center's two items that qualify for reporting in this category are deferred revenue related to succeeding year property tax receivable and deferred electronic health record incentive amounts. The property tax revenue is recognized in the succeeding year when it becomes available. The electronic health record incentive amounts are recognized as revenue ratably over the average life of the qualified assets.

Compensated Absences

Medical Center employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected vacation payouts is recorded as current liability on the balance sheet based on rates of pay in effect at June 30, 2013 and 2012.

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 the succeeding year property tax receivable and electronic health record incentives reported under deferred inflows of resources on the balance sheet.

Operating Revenues and Expenses

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Medical Center's principal activity. Nonexchange revenues, including taxes, interest income, grants, and contributions received for purposes other than capital asset acquisition or to cover operational expenses, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

Net Patient and Resident 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. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. 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.

The Medical Center recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated. On the basis of historical experience, a certain portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. As a result, the Medical Center records a provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care and Community Benefits

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 the amounts determined to qualify as charity care, they are not reported as revenue. The amounts of charges foregone for services provided under the Medical Center's charity care policy were \$74,839 and \$139,516 for the years ended June 30, 2013 and 2012. Total direct and indirect costs related to these foregone charges were approximately \$61,000 and \$125,000 at June 30, 2013 and 2012, based on an average ratio of cost to gross charges.

In addition, the Medical Center provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and for some services the payments are less than the cost of rendering the services provided.

The Medical Center also commits significant time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

Electronic Health Record (EHR) Incentives

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

Medicare

These incentive payments are available for the next three years. To qualify for the Medicare EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share. For Medicare, once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The Medical Center recognizes Medicare EHR incentive payments as revenue when there is reasonable assurance that the Medical Center will comply with the conditions attached to the incentive payments. As the entire Medicare EHR incentive payment is received in a lump sum for critical access hospitals and the Medical Center must annually attest to increasingly stringent meaningful use criteria, the Medicare EHR incentive payment is first recognized as deferred revenue with a ratable recognition over the average life of the qualifying assets.

Medicaid

The Medicaid EHR incentive payments are paid out based on state-specific legislation, and are not to exceed 50% of the entire Medicaid EHR incentive payment in any one year, and 90% of the entire Medicaid EHR incentive payment in any 2-year period. The incentives are paid over a minimum of a 3-year period and a maximum of a 6-year period. To qualify for the first Medicaid EHR incentive payment, the hospital must be in the Adopt, Implement, and Upgrade stages of the meaningful use criteria. To qualify for the second and third Medicaid EHR incentive payments, hospitals must satisfy the meaningful use criteria that are outlined within the Medicare EHR objectives. The Medicaid EHR incentive payments to hospitals for each payment year is calculated as a product of (1) an initial amount; (2) the Medicaid share; and (3) a transition factor applicable to that payment year. The Medical Center recognizes Medicaid EHR incentive payments in the year received.

EHR incentive payments are included in other operating revenue in the accompanying financial statements. The amount of EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur.

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Investment Income

Interest on cash and deposits is included in nonoperating revenues and expenses. Investment income or loss of the Foundation is reported as part of unrestricted revenues unless the income or loss is restricted by donor or law.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Reclassifications

Reclassifications have been made to the June 30, 2012 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported changes in net position. However, the reclassifications did affect previously reported operating loss as grants and contributions received specifically to support operating activities were reclassified from nonoperating revenue to other operating revenue.

Note 2 - Net Patient and Resident 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: The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2012. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid (Medical Center): Inpatient and outpatient services rendered to Medicaid program 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 Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2010.

Medicaid (Nursing Care Center): Routine services rendered to nursing care center residents who are beneficiaries of the Medicaid program are paid according to a schedule of prospectively determined daily rates.

Other Payors: The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements may include prospectively determined rates and discounts from established charges.

Revenue from the Medicare, Medicaid and Blue Cross programs accounted for approximately 43%, 13% and 19% of the Medical Center's net patient and resident service revenue for the year ended June 30, 2013, and 47%, 10% and 17% for the year ended June 30, 2012. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident service revenue for the years ended June 30, 2013 decreased approximately \$217,000 due to prior-year retroactive adjustments in excess of amounts previously estimated.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. If selected for audit, the potential exists that the Medical Center may incur a liability for a claims overpayment at a future date. The Medical Center is unable to determine if it will be audited and, if so, the extent of the liability of overpayments, if any. As the outcome of such potential reviews is unknown and cannot be reasonably estimated, it is the Medical Center's policy to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between the Medical Center and CMS.

A summary of patient and resident service revenue, contractual adjustments, and provision for bad debts for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Total Patient and Resident Service Revenue	\$ 25,392,061	\$ 24,110,961
Contractual Adjustments		
Medicare	(3,202,042)	(1,473,569)
Medicaid	(1,090,568)	(703,183)
Other	(2,098,629)	(2,084,506)
Total contractual adjustments	(6,391,239)	(4,261,258)
Net Patient and Resident Service Revenue	19,000,822	19,849,703
Less Provision for Bad Debts	(1,397,954)	(707,275)
Net Patient and Resident Service Revenue Less Provision for Bad Debts	\$ 17,602,868	\$ 19,142,428

Note 3 - Cash and Deposits – Medical Center

The Medical Center's deposits in banks at June 30, 2013 and 2012 were entirely covered by Federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Medical Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2013 and 2012 the Medical Center's carrying amounts of cash and deposits are as follows:

	2013	2012
Assets Limited as to Use or Restricted		
Investments by board for capital improvements		
Cash and cash equivalents	\$ 1,720,856	\$ 1,696,879
Certificates of deposit	1,788,511	1,787,232
Interest receivable	2,053	1,900
	\$ 3,511,420	\$ 3,486,011
Restricted scholarship funds		
Cash and cash equivalents	\$ 38,086	\$ 37,251
Certificates of deposit	270,652	270,000
Interest receivable	213	323
Loans receivable	69,055	74,476
	\$ 378,006	\$ 382,050

Interest rate risk is the exposure to fair value losses resulting from rising interest rates.

The Medical Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Medical Center.

The Medical Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

Investment income for the Medical Center for the years ended June 30, 2013 and 2012 consists mainly of interest on certificates of deposit and checking/money market accounts.

Note 4 - Investment Income – Foundation

Investment income for the Foundation for the years ended June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Investment Income		
Interest and dividends	\$ 24,342	\$ 32,160
Realized gain on sale of real estate	-	8,523
	\$ 24,342	\$ 40,683
Change in Unrealized Gains (Losses) on Investments	\$ 32,219	\$ 3,822

Note 5 - Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012 was as follows:

	June 30, 2012				June 30, 2013
	Balance	Additions	Deductions	Transfers	Balance
Capital Assets Not Being Depreciated:					
Land	\$ 36,673	\$ -	\$ -	\$ -	\$ 36,673
Construction in progress	145,132	564,924	-	(252,275)	457,781
Total capital assets not being depreciated	<u>181,805</u>	<u>564,924</u>	<u>-</u>	<u>(252,275)</u>	<u>494,454</u>
Capital Assets Being Depreciated:					
Land improvements	586,933	-	-	-	586,933
Buildings	7,744,509	19,750	-	147,159	7,911,418
Major moveable equipment	7,664,800	186,683	33,590	79,731	7,897,624
Fixed equipment	9,054,526	28,505	-	25,385	9,108,416
Total capital assets being depreciated	<u>25,050,768</u>	<u>234,938</u>	<u>33,590</u>	<u>252,275</u>	<u>25,504,391</u>
Less Accumulated Depreciation for:					
Land improvements	432,553	16,693	-	-	449,246
Buildings	4,775,896	221,350	-	-	4,997,246
Major moveable equipment	3,585,488	1,179,624	33,590	-	4,731,522
Fixed equipment	6,496,046	375,603	-	-	6,871,649
Total accumulated depreciation	<u>15,289,983</u>	<u>1,793,270</u>	<u>33,590</u>	<u>-</u>	<u>17,049,663</u>
Total Capital Assets Being Depreciated, Net	<u>9,760,785</u>	<u>(1,558,332)</u>	<u>-</u>	<u>252,275</u>	<u>8,454,728</u>
Total Capital Assets, Net	<u>\$ 9,942,590</u>	<u>\$ (993,408)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,949,182</u>
	June 30, 2011				June 30, 2012
	Balance	Additions	Deductions	Transfers	Balance
Capital Assets Not Being Depreciated:					
Land	\$ 36,673	\$ -	\$ -	\$ -	\$ 36,673
Construction in progress	796,270	1,099,824	-	(1,750,962)	145,132
Total capital assets not being depreciated	<u>832,943</u>	<u>1,099,824</u>	<u>-</u>	<u>(1,750,962)</u>	<u>181,805</u>
Capital Assets Being Depreciated:					
Land improvements	586,933	-	-	-	586,933
Buildings	7,718,444	26,065	-	-	7,744,509
Major moveable equipment	5,967,266	560,507	613,935	1,750,962	7,664,800
Fixed equipment	9,054,526	-	-	-	9,054,526
Total capital assets being depreciated	<u>23,327,169</u>	<u>586,572</u>	<u>613,935</u>	<u>1,750,962</u>	<u>25,050,768</u>
Less Accumulated Depreciation for:					
Land improvements	415,859	16,694	-	-	432,553
Buildings	4,548,474	227,422	-	-	4,775,896
Major moveable equipment	3,162,990	1,035,910	613,412	-	3,585,488
Fixed equipment	6,084,382	411,664	-	-	6,496,046
Total accumulated depreciation	<u>14,211,705</u>	<u>1,691,690</u>	<u>613,412</u>	<u>-</u>	<u>15,289,983</u>
Total Capital Assets Being Depreciated, Net	<u>9,115,464</u>	<u>(1,105,118)</u>	<u>523</u>	<u>1,750,962</u>	<u>9,760,785</u>
Total Capital Assets, Net	<u>\$ 9,948,407</u>	<u>\$ (5,294)</u>	<u>\$ 523</u>	<u>\$ -</u>	<u>\$ 9,942,590</u>

Construction in progress at June 30, 2013 primarily represents preliminary costs incurred for the master facility planning and the future hospital remodel project which is expected to begin in April 2014 and be completed by April 2016. The total expected cost of the project is \$22,500,000 and will be financed through both debt proceeds and operations.

Note 6 - Leases

The Medical Center leases certain equipment and building space under noncancelable long-term lease agreements. Capitalized leased assets consist of:

	2013	2012
Major Movable Equipment	\$ 999,564	\$ 999,564
Less accumulated amortization	(749,807)	(546,939)
	\$ 249,757	\$ 452,625

Minimum future lease payments for the capital leases are as follows:

Year Ending June 30,	Capital Leases
2014	\$ 182,403
2015	65,683
	248,086
Total Minimum Lease Payments	248,086
Less interest	(4,258)
	\$ 243,828
Present Value of Minimum Lease Payments - Note 7	\$ 243,828

Note 7 - Long-Term Debt

A summary of changes in the Medical Center's long-term debt for 2013 and 2012 is as follows:

	June 30, 2012 Balance	Additions	Payments	June 30, 2013 Balance	Amounts Due Within One Year
Rural Economic Development Loan (A)	\$ 140,741	\$ -	\$ 22,222	\$ 118,519	\$ 22,222
Capitalized Lease Obligations - Note 6	446,657	-	202,829	243,828	178,737
Total Long-Term Debt	\$ 587,398	\$ -	\$ 225,051	362,347	\$ 200,959
Less Current Maturities				(200,959)	
Long-Term Debt, Less Current Maturities				\$ 161,388	

Greene County Medical Center
Notes to Financial Statements
June 30, 2013 and 2012

	June 30, 2011 Balance	Additions	Payments	June 30, 2012 Balance	Amounts Due Within One Year
Rural Economic Development					
Loan (A)	\$ 162,963	\$ -	\$ 22,222	\$ 140,741	\$ 22,222
Capitalized Lease Obligations	<u>645,356</u>	<u>-</u>	<u>198,699</u>	<u>446,657</u>	<u>202,829</u>
Total Long-Term Debt	<u>\$ 808,319</u>	<u>\$ -</u>	<u>\$ 220,921</u>	587,398	<u>\$ 225,051</u>
Less Current Maturities				<u>(225,051)</u>	
Long-Term Debt, Less Current Maturities				<u>\$ 362,347</u>	

(A) The Medical Center borrowed \$200,000 through Midland Power Cooperative under the Rural Economic Development Loan and Grant Program in October 2008. The loan is non-interest bearing and is due in monthly installments of \$1,852 for 108 months beginning October 2009 through September 2018. The loan is collateralized by a pledge of the Medical Center's net revenues.

Long-term debt maturities are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 200,959	\$ 3,666	\$ 204,625
2015	87,314	591	87,905
2016	22,222	-	22,222
2017	22,222	-	22,222
2018	22,222	-	22,222
2019	7,408	-	7,408
Total	<u>\$ 362,347</u>	<u>\$ 4,257</u>	<u>\$ 366,604</u>

Note 8 - Restricted Scholarship Funds

Restricted net position consists of funds for healthcare occupation student loans and scholarships expendable and nonexpendable funds at June 30, 2013 and 2012 are as follows:

	2013	2012
Restricted Expendable Net Position	\$ 103,006	\$ 107,050
Restricted Nonexpendable Net Position	<u>275,000</u>	<u>275,000</u>
	<u>\$ 378,006</u>	<u>\$ 382,050</u>

Unless the contributor provides specific instructions, law permits the Medical Center Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Trustees is required to consider the Medical Center's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board of Trustees has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable net position as of June 30, 2013 and 2012 represents the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Medical Center's permanent endowments are expendable to support these programs as established by the contributor.

Note 9 - Temporarily Restricted Net Assets - Foundation

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Retention of Greene County Medical Center		
Rehabilitation Department Employees	\$ 109,902	\$ 109,902

Note 10 - Pension and Retirement Benefits

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.

Plan members are required to contribute 5.78% of their annual covered salary, and the Medical Center is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Plan members were required to contribute 5.38% and 4.50% of their annual covered salary, and the Medical Center was required to contribute 8.07% and 6.95% of annual covered payroll for the years ended June 30, 2012 and 2011. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$838,944, \$810,214, and \$658,500, equal to the required contributions for each year.

Note 11 - Functional Expenses - Foundation

The Foundation solicits funds for the promotion of health care throughout Greene County by supporting those activities which carry out the health care missions of Greene County Medical Center. Expenses related to providing these services by functional class for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Program Services	\$ 260,235	\$ 167,011
Fundraising	18,308	4,596
Management and General	77,988	79,390
	\$ 356,531	\$ 250,997

Note 12 - Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at June 30, 2013 and 2012 was as follows:

	2013	2012
Medicare	32%	28%
Medicaid	8%	5%
Blue Cross	13%	10%
Other Commerical Insurance	12%	9%
Other Third-Party Payors, Patients, and Residents	35%	48%
	100%	100%

Note 13 - Risk Management

The Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Medical Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 14 - Fair Value Measurements - Foundation

Assets of the Foundation measured at fair value on a recurring basis and related fair values of these assets at June 30, 2013 and 2012 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Certificates of Deposit (at Cost)	\$ 2,007,245	\$ -	\$ -	\$ -
Equities				
Services	173,130	173,130	-	-
Basic materials	87,846	87,846	-	-
Other	1,348	1,348	-	-
	<u>\$ 2,269,569</u>	<u>\$ 262,324</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2012				
Certificates of Deposit (at Cost)	\$ 1,908,860	\$ -	\$ -	\$ -
Equities				
Services	165,251	165,251	-	-
Basic materials	64,854	64,854	-	-
	<u>\$ 2,138,965</u>	<u>\$ 230,105</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of the equities is determined by reference to quoted market prices.

There have been no changes in the methodologies used at June 30, 2013 and 2012. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 15 - Commitments and Contingencies

Malpractice Insurance

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigations, Claims, and Disputes

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Evergreene Ridge

The Foundation owns the Evergreene Ridge building. According to living unit agreements, if a current tenant wishes to move out (terminate their living unit agreement) and an agreement has not been signed with a new resident within a timeframe as noted in the original agreement, the Foundation shall execute a note payable to the original tenant in an amount equal to a set percentage of the then current market price of the unit as described in the agreement. The terms of this note are also described in the individual agreements.

Note 16 - Electronic Health Record Incentive Payments

The Medical Center attested as a meaningful user of Electronic Health Records (EHR) during the year ended June 30, 2013. Accordingly, the Medical Center has recognized a receivable of \$886,679 for the lump sum incentive payment received related to Medicare EHR. The Medical Center is recognizing the deferred inflow ratably over the life of the related qualifying assets. As a result, the Medical Center recognized revenue of \$221,670 for the year ended June 30, 2013 by recognizing the incentive payment and amortizing the deferred inflow into other operating revenue. The remaining deferred inflow of \$665,009 related to EHR incentive payments will be recognized as income over the remaining life of the related assets.

The Medical Center recognized revenue of \$155,200 during the year ended June 30, 2013 related to Medicaid EHR incentive payments received. The incentive payments are included in other operating revenue in the accompanying financial statements. The total \$155,200 received to date represents 40% of the potential benefit to be received from the State of Iowa Medicaid program. Since the remaining payments are contingent upon the Medical Center meeting future EHR objectives, there are no amounts accrued as receivable from the State of Iowa Medicaid program.

Note 17 - Effect of Adopting New Accounting Standard

The Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, during the year ended June 30, 2013. The adoption of GASB Statement No. 61 resulted in reporting the Foundation as a discretely presented component unit rather than as a blended component unit of the Medical Center as was previously recorded in the 2012 financial statements. Accordingly, amounts have been restated in the 2012 financial statements now presented.

The following is a summary of the effects of the restatements on the 2012 financial statements:

	<u>Amounts as Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>Amounts as Restated</u>
Medical Center Balance Sheet			
Assets			
Restricted scholarship funds	\$ 2,995,685	\$ (2,613,635)	\$ 382,050
Total assets	<u>\$ 24,950,810</u>	<u>\$ (2,613,635)</u>	<u>\$ 22,337,175</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Annuity payable	\$ 20,000	\$ (20,000)	\$ -
Total liabilities and deferred inflows of resources	<u>\$ 4,141,985</u>	<u>\$ (20,000)</u>	<u>\$ 4,121,985</u>
Net position			
Restricted	\$ 2,975,685	\$ (2,868,635)	\$ 107,050
Total net position	<u>\$ 20,808,826</u>	<u>\$ (2,593,636)</u>	<u>\$ 18,215,190</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,950,811</u>	<u>\$ (2,613,636)</u>	<u>\$ 22,337,175</u>

Greene County Medical Center
Notes to Financial Statements
June 30, 2013 and 2012

	<u>Amounts as Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>Amounts as Restated</u>
Medical Center Statement of Revenues, Expenses, and Changes in Net Position			
Change in net position	<u>\$ (538,671)</u>	<u>\$ 37,328</u>	<u>\$ (501,343)</u>
Net position, end of year	<u>\$ 20,808,826</u>	<u>\$ (2,593,636)</u>	<u>\$ 18,215,190</u>
 Medical Center Statement of Cash Flows			
Net change in cash and cash equivalents	\$ (675,809)	\$ (132,380)	\$ (808,189)
Cash and cash equivalents at beginning of year	<u>3,925,409</u>	<u>(202,490)</u>	<u>3,722,919</u>
Cash and cash equivalents at end of year	<u>\$ 3,249,600</u>	<u>\$ (334,870)</u>	<u>\$ 2,914,730</u>

Note 18 - Restatement Due to Correction of an Error

Certain errors in recording the Evergreene Ridge building, an asset of the Foundation, were noted by management of the Medical Center during the current year. In prior years, the Evergreene Ridge building was not reported as an asset on the Foundation's balance sheet. The Foundation only reported as an investment a few units that it had acquired from former tenants. Accordingly, the net book value of the building and corresponding depreciation expense have been restated in the 2012 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2012, to correct the error.

	<u>Amounts as Previously Reported</u>	<u>Correction of Error</u>	<u>Amounts as Restated</u>
Foundation Balance Sheet			
Assets			
Investments	<u>\$ 2,278,765</u>	<u>\$ (139,800)</u>	<u>\$ 2,138,965</u>
Property and Equipment	<u>\$ -</u>	<u>\$ 1,073,522</u>	<u>\$ 1,073,522</u>
Total assets	<u>\$ 2,613,634</u>	<u>\$ 933,722</u>	<u>\$ 3,547,356</u>
Net assets			
Unrestricted	<u>\$ 2,483,732</u>	<u>\$ 933,722</u>	<u>\$ 3,417,454</u>
Total net assets	<u>\$ 2,593,634</u>	<u>\$ 933,722</u>	<u>\$ 3,527,356</u>
Total liabilities and net assets	<u>\$ 2,613,634</u>	<u>\$ 933,722</u>	<u>\$ 3,547,356</u>
Foundation Statement of Activities and Changes in Net Assets			
Expenses			
Depreciation	<u>\$ -</u>	<u>\$ 88,310</u>	<u>\$ 88,310</u>
Change in net assets	<u>\$ (37,330)</u>	<u>\$ (88,310)</u>	<u>\$ (125,640)</u>

Note 19 - Subsequent Events

The Medical Center has evaluated subsequent events through March 3, 2014, the date which the financial statements were available to be issued.



Required Supplementary Information
June 30, 2013



Greene County Medical Center
 Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Position –
 Budget and Actual (Cash Basis)
 Required Supplementary Information
 Year Ended June 30, 2013

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Adopted Budget	Variance Favorable (Unfavorable)
Estimated Amount to be Raised by Taxation	\$ 1,621,878	\$ -	\$ 1,621,878	\$ 1,619,030	\$ 2,848
Estimated Other Revenues/Receipts	19,531,858	2,542,112	22,073,970	24,935,326	(2,861,356)
	<u>21,153,736</u>	<u>2,542,112</u>	<u>23,695,848</u>	<u>26,554,356</u>	<u>(2,858,508)</u>
Expenses/Disbursements	<u>22,312,521</u>	<u>(820,214)</u>	<u>21,492,307</u>	<u>27,080,742</u>	<u>5,588,435</u>
Net	(1,158,785)	3,362,326	2,203,541	(526,386)	<u>\$ 2,729,927</u>
Balance Beginning of Year	<u>18,215,190</u>	<u>(13,241,005)</u>	<u>4,974,185</u>	<u>17,963,683</u>	
Balance End of Year	<u>\$ 17,056,405</u>	<u>\$ (9,878,679)</u>	<u>\$ 7,177,726</u>	<u>\$ 17,437,297</u>	

Note 1 - Budgetary Comparison

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from the Medical Center preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Medical Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2013.

For the year ended June 30, 2013, the Medical Center's expenditures did not exceed the adopted amount budgeted.



Other Supplementary Information
June 30, 2013 and 2012





Independent Auditor's Report on Supplementary Information

The Board of Trustees
Greene County Medical Center
Jefferson, Iowa

We have audited the financial statements of Greene County Medical Center (Medical Center) as of and for the year ended June 30, 2013, and our report thereon dated March 3, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 2 through 4. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient and resident service revenue, other operating revenues, operating expenses and supplies and prepaid expense are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The schedules of patient and resident receivables, allowance for doubtful accounts, collection statistics and statistical information, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

March 3, 2014
Dubuque, Iowa

Greene County Medical Center
Schedules of Net Patient and Resident Service Revenue
Years Ended June 30, 2013 and 2012

	2013	2012
Patient and Resident Service Revenue		
Adults and Pediatrics	\$ 1,677,550	\$ 1,547,550
Delivery and Labor Rooms	224,975	125,043
Operating and Recovery Rooms	2,407,334	2,560,266
Medical supplies	1,364,165	1,701,193
Emergency services	2,525,940	2,302,734
Laboratory and blood bank	3,636,198	3,212,718
Electrocardiology	474	127,840
Cardiac rehab	163,858	143,367
Radiology	3,443,205	3,455,324
Pharmacy	1,752,412	1,861,139
Anesthesiology	580,461	554,109
Respiratory therapy	1,050,422	794,296
Physical therapy	1,015,154	720,282
Speech therapy	34,466	25,349
Occupational therapy	226,295	180,515
Diabetic Education	141,951	85,768
Clinic	1,225,501	968,210
Public Health	696,759	670,192
Long Term Care	3,299,780	3,214,582
	25,466,900	24,250,477
Charity care	(74,839)	(139,516)
	25,392,061	24,110,961
Total patient and resident service revenue*	\$ 25,392,061	\$ 24,110,961
*Total Patient and Resident Service Revenue - Reclassified		
Inpatient revenue	\$ 9,451,150	\$ 9,136,295
Outpatient revenue	16,015,750	15,114,182
Charity care	(74,839)	(139,516)
Total patient and resident service revenue	25,392,061	24,110,961
Contractual Adjustments		
Medicare	(3,202,042)	(1,473,569)
Medicaid	(1,090,568)	(703,183)
Other	(2,098,629)	(2,084,506)
Total contractual adjustments	(6,391,239)	(4,261,258)
Net Patient and Resident Service Revenue	19,000,822	19,849,703
Provision for Bad Debts	(1,397,954)	(707,275)
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	\$ 17,602,868	\$ 19,142,428

Greene County Medical Center
Schedules of Other Operating Revenues
Years Ended June 30, 2013 and 2012

	2013	2012
Other Operating Revenues		
Electronic health record incentive	\$ 376,870	\$ -
Public health grants	329,791	304,110
Broadband technology opportuniteis program (BTOP) grant	310,927	295,606
Dietary sales	109,268	104,631
Hospital/Program fees	103,245	92,155
Rental revenue	75,179	74,729
Evergreene Ridge net revenue	73,396	77,573
Purchase rebates	20,356	22,414
Other	7,285	6,945
	<u>\$ 1,406,317</u>	<u>\$ 978,163</u>
Total Other Operating Revenues		

Greene County Medical Center
Schedules of Operating Expenses
Years Ended June 30, 2013 and 2012

	2013	2012
Nursing Administration		
Salaries and wages	\$ 52,035	\$ 189,721
Supplies and other expenses	76,077	5,892
	<u>128,112</u>	<u>195,613</u>
Routine Services		
Salaries and wages	1,477,289	1,615,837
Supplies and other expenses	129,728	228,008
	<u>1,607,017</u>	<u>1,843,845</u>
Nursery		
Salaries and wages	15,348	11,461
	<u>15,348</u>	<u>11,461</u>
Delivery and Labor Rooms		
Salaries and wages	10,358	6,868
	<u>10,358</u>	<u>6,868</u>
Operating and Recovery Rooms		
Salaries and wages	341,951	383,912
Supplies and other expenses	910,720	1,058,151
	<u>1,252,671</u>	<u>1,442,063</u>
Medical Supplies		
Salaries and wages	157,590	192,075
Supplies and other expenses	17,048	21,731
	<u>174,638</u>	<u>213,806</u>
Emergency Services		
Salaries and wages	323,093	268,116
Supplies and other expenses	1,065,631	981,103
	<u>1,388,724</u>	<u>1,249,219</u>
Laboratory and Blood Bank		
Salaries and wages	318,713	321,364
Supplies and other expenses	460,148	429,487
	<u>778,861</u>	<u>750,851</u>
Electrocardiology		
Salaries and wages	-	12,458
Supplies and other expenses	8,100	9,060
	<u>8,100</u>	<u>21,518</u>
Cardiac Rehabilitation		
Salaries and wages	28,243	20,941
Supplies and other expenses	5,745	6,599
	<u>33,988</u>	<u>27,540</u>

Greene County Medical Center
Schedules of Operating Expenses
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Radiology		
Salaries and wages	\$ 375,754	\$ 375,578
Supplies and other expenses	<u>344,101</u>	<u>380,585</u>
	<u>719,855</u>	<u>756,163</u>
Pharmacy		
Salaries and wages	230,582	248,819
Supplies and other expenses	<u>248,671</u>	<u>339,795</u>
	<u>479,253</u>	<u>588,614</u>
Anesthesiology		
Supplies and other expenses	<u>401,854</u>	<u>347,952</u>
Respiratory Therapy		
Salaries and wages	167,121	158,967
Supplies and other expenses	<u>147,768</u>	<u>160,376</u>
	<u>314,889</u>	<u>319,343</u>
Physical Therapy		
Salaries and wages	178,084	350,754
Supplies and other expenses	<u>240,648</u>	<u>18,944</u>
	<u>418,732</u>	<u>369,698</u>
Speech Therapy		
Supplies and other expenses	<u>13,510</u>	<u>12,630</u>
Occupational Therapy		
Salaries and wages	30,488	45,105
Supplies and other expenses	<u>43,717</u>	<u>3,140</u>
	<u>74,205</u>	<u>48,245</u>
Long Term Care		
Salaries and wages	1,260,434	1,252,586
Supplies and other expenses	<u>107,127</u>	<u>110,142</u>
	<u>1,367,561</u>	<u>1,362,728</u>
Evergreene Ridge		
Supplies and other expenses	<u>94,531</u>	<u>107,272</u>
Medical Office Building		
Supplies and other expenses	<u>259,594</u>	<u>282,405</u>
Clinic		
Salaries and wages	934,738	920,734
Supplies and other expenses	<u>120,105</u>	<u>123,997</u>
	<u>1,054,843</u>	<u>1,044,731</u>

Greene County Medical Center
Schedules of Operating Expenses
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Public Health		
Salaries and wages	\$ 809,630	\$ 900,418
Supplies and other expenses	<u>124,147</u>	<u>141,375</u>
	<u>933,777</u>	<u>1,041,793</u>
Diabetic Education		
Salaries and wages	128,609	137,481
Supplies and other expenses	<u>5,552</u>	<u>3,555</u>
	<u>134,161</u>	<u>141,036</u>
Medical Records		
Salaries and wages	242,869	250,093
Supplies and other expenses	<u>30,349</u>	<u>35,632</u>
	<u>273,218</u>	<u>285,725</u>
Dietary		
Salaries and wages	568,797	572,235
Supplies and other expenses	<u>342,614</u>	<u>373,684</u>
	<u>911,411</u>	<u>945,919</u>
Plant Operation and Maintenance		
Salaries and wages	309,752	313,886
Supplies and other expenses	<u>629,435</u>	<u>705,251</u>
	<u>939,187</u>	<u>1,019,137</u>
Housekeeping		
Salaries and wages	336,693	288,499
Supplies and other expenses	<u>75,482</u>	<u>90,960</u>
	<u>412,175</u>	<u>379,459</u>
Laundry		
Salaries and wages	123,603	134,505
Supplies and other expenses	<u>32,849</u>	<u>5,623</u>
	<u>156,452</u>	<u>140,128</u>
Administrative Services		
Salaries and wages	1,379,507	1,295,348
Supplies and other expenses	<u>1,448,988</u>	<u>1,464,089</u>
	<u>2,828,495</u>	<u>2,759,437</u>
Unassigned Expenses		
Depreciation and amortization	1,793,270	1,691,690
Insurance	151,709	145,370
Employee benefits	<u>3,170,213</u>	<u>3,169,181</u>
	<u>5,115,192</u>	<u>5,006,241</u>
Total Operating Expenses	<u>\$ 22,300,712</u>	<u>\$ 22,721,440</u>

Greene County Medical Center
Schedules of Patient and Resident Receivables, Allowance for Doubtful Accounts, and Collection Statistics
(Unaudited)
June 30, 2013 and 2012

Analysis of Aging

<u>Days Since Discharge</u>	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
30 Days or Less	\$ 2,299,821	55.69%	\$ 2,546,904	50.89%
31 to 60 Days	453,235	10.98%	387,344	7.74%
61 to 90 Days	231,208	5.60%	204,765	4.09%
91 to 180 Days	440,581	10.67%	367,571	7.35%
181 Days and over	704,587	17.06%	1,497,661	29.93%
	<u>4,129,432</u>	<u>100.00%</u>	<u>5,004,245</u>	<u>100.00%</u>
Less: Allowance for Doubtful Accounts	700,000		892,521	
Allowance for Contractual Adjustments	<u>537,000</u>		<u>530,000</u>	
Net	<u>\$ 2,892,432</u>		<u>\$ 3,581,724</u>	

Allowance for Doubtful Accounts

	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Balance, Beginning of Year	\$ 892,521	\$ 981,235
Add: Provision for Bad Debts	1,397,954	707,275
Recoveries of Accounts Written Off	88,202	41,302
Less: Accounts Written Off	<u>(1,678,677)</u>	<u>(837,291)</u>
Balance, End of Year	<u>\$ 700,000</u>	<u>\$ 892,521</u>

Collection Statistics

	<u>2013</u>	<u>2012</u>
Net Accounts Receivable - Patients and Residents	\$ 2,892,432	\$ 3,581,724
Number of Days Charges Outstanding (1)	59	68
Uncollectible Accounts (2)	\$ 1,514,707	\$ 879,277
Percentage of Uncollectible Accounts to Total Charges	5.95%	3.63%

(1) Based on average daily net patient and resident service revenue for April, May, and June.

(2) Includes provision for bad debts, charity care, and collection fees.

Greene County Medical Center
Schedules of Supplies and Prepaid Expense
June 30, 2013 and 2012

	2013	2012
Supplies		
Operating room	\$ 65,824	\$ 69,560
Pharmacy	57,105	67,560
Laboratory	49,511	43,090
Central Supply	32,380	33,426
Plant Supplies	27,090	18,238
Dietary	8,336	8,644
Other	4,706	7,105
Total	\$ 244,952	\$ 247,623
 Prepaid Expense		
Maintenance agreements	\$ 242,797	\$ 253,829
Insurance	158,373	76,262
Other	213,022	196,117
Total	\$ 614,192	\$ 526,208

Greene County Medical Center
Schedules of Statistical Information (Unaudited)
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Acute Care		
Admissions	357	329
Discharges	355	330
Patient Days	1,064	933
Average Length of Stay	3.00	2.83
Average Occupied Beds	2.90	2.60
Swing Bed		
Admissions	74	71
Discharges	70	72
SNF Days	735	903
ICF Days	49	55
Nursery Days	139	79
Long-Term Care Patient Days	19,408	19,862
Outpatient Occasions of Services	27,382	26,829



**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***

The Board of Trustees
Greene County Medical Center
Jefferson, Iowa

We have audited, 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, the financial statements of Greene County Medical Center (Medical Center) and its discretely presented component unit, Greene County Medical Center Foundation (Foundation), which comprise the Statement of Financial Position as of and for the year ended June 30, 2013, the Statements of Revenues, Expenses, and Changes in Net Position, and Cash Flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 that a material misstatement of the Medical Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-A and 2013-B to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2013-C to be a significant deficiency.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Medical Center's Responses to Findings

The Medical Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Medical Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
March 3, 2014

Independent Auditor’s Report on Compliance for Its Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Trustees
Greene County Medical Center
Jefferson, Iowa

Report on Compliance for Its Major Federal Program

We have audited Greene County Medical Center’s (Medical Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Medical Center’s major federal program for the year ended June 30, 2013. The Medical Center’s major federal programs are identified in the summary of the independent auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the Medical Center’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Medical Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Medical Center’s compliance.

Opinion on the Major Federal Program

In our opinion, the Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Medical Center is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-III-A that we consider to be a significant deficiency.

The Medical Center's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Medical Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Medical Center as of and for the year ended June 30, 2013, and have issued our report thereon dated March 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned to the left of a vertical yellow line.

Dubuque, Iowa
March 3, 2014

Greene County Medical Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
United States Department of Commerce Pass-through program from: Central Iowa Hospital Corporation ARRA - Broadband Technology Opportunities Program	11.557	19-43-B10575	\$ 430,935
United States Department of Health and Human Services Pass-through program from: Iowa Department of Public Health Public Health Emergency Preparedness	93.069	5882BT37	28,884
National Bioterrorism Hospital Preparedness Program	93.889	5883BHP05	22,390
Small Rural Hospital Improvement Grant Program	93.301	5882SH26	15,140
Immunization Services	93.268	5882I486	3,344
Immunization Services	93.268	5882I486	3,085
Immunization Services	93.539	5883I486	1,780
Pass-through program from: Webster County Health Department Maternal Health, Child Health and Family Planning	93.994	5883MH31	4,627
Pass-through program from: Calhoun County Department of Health Care for Yourself	93.283	5883NB04	<u>954</u>
Total United States Department of Health and Human Services			<u>80,204</u>
			<u><u>\$ 511,139</u></u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Greene County Medical Center (Medical Center) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The purpose of the SEFA is to present a summary of those activities of the Medical Center for the year ended June 30, 2013, which the United States government has financed. For the purpose of this SEFA, federal awards include all federal assistance entered into directly between the Medical Center and the federal government and sub awards from nonfederal organizations made under federal sponsored agreements. Since the SEFA presents only a selected portion of the activities of the Medical Center, it is not intended to, and does not present the financial position, results of operations, changes in net assets, or cash flows of the Medical Center.

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes (Part II)
Significant deficiencies	Yes (Part II)
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	Yes (Part III)
Type of auditor's report issued on compliance for the major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
11.557	ARRA - Broadband Technology Opportunities Program

Dollar threshold used to distinguish between
Type A and Type B programs

\$ 300,000

Part II: Findings Related to the Financial Statements:

Material Weaknesses:

2013-A Preparation of Financial Statements

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition – Greene County Medical Center does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP can be considered costly and ineffective.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Medical Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

Recommendation – It is the responsibility of Medical Center management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Response – Management feels that committing the resources necessary to remain current on GAAP and Governmental Accounting Standards Board reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating.

2013-B Material Adjusting Journal Entries

Criteria – Reconciliation of all general ledger accounts on a monthly basis is essential to prepare reliable financial statements.

Condition – The prior year audit entries were not posted to the general ledger. A material adjustment was necessary in the current year to fairly state beginning of the year net position. In addition, a material adjustment was made to properly record estimated third-party payor settlements.

Part II: Findings Related to the Financial Statements: (continued)

Cause – Calculations made to initially record estimated third-party payor settlements were materially different than the settlements per the Medicare and Medicaid cost reports used to complete these estimates at year end. While we understand that the estimated third-party payor settlements were adjusted based on the completed Medicare and Medicaid cost reports, we recommend that management review these estimates on a regular basis to ensure accurate interim financial reporting.

Effect – Failure to review all account balances, such as net position accounts, can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system. Material entries were proposed during the audit to adjust year-end account balances.

Recommendation – All general ledger accounts must be reviewed monthly. In addition, management should reconcile the audited financial statements to the general ledger for the same period to ensure that all entries have been posted. We also recommend that management consider implementing a process to estimate third-party payor settlements on an interim basis during the year.

Response – Management agrees with the finding. The Controller and Chief Financial Officer will work collectively to improve and strengthen the controls over the financial reporting process going forward.

Significant Deficiency:

2013-C Segregation of Duties

Criteria – An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an organization's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition – Certain employees perform duties that are incompatible.

Cause – The limited number of office personnel prevents a proper segregation of accounting functions necessary to ensure optimal effective internal control. This is not an unusual condition in organizations of your size. In addition, not all accounts payable check runs are reviewed by the Chief Financial Officer or controller prior to mailing.

Effect – The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. Limited segregation of duties could result in misstatements that may not be prevented or detected and corrected on a timely basis in the normal course of operations. While most invoices are reviewed, by not reviewing all check registers prior to mailing of checks, there is potential for unapproved payments being made.

Recommendation – We realize that with a limited number of office employees, complete segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

Part II: Findings Related to the Financial Statements: (continued)

However, the Medical Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. This includes reviewing and approving all invoices and check registers prior to mailing. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Medical Center should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Response – Management agrees with the finding and has reviewed the accounting and operating procedures of the Medical Center. Due to the limited number of office employees, management will continue to monitor the Medical Center’s procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Part III: Findings and Questioned Costs – Major Federal Award Program

2013-001 Significant Deficiency in Internal Control over Compliance

Federal Award – United States Department of Commerce, ARRA Broadband Technology Opportunities Program (BTOP), federal CFDA number 11.557

Criteria – In accordance with the federal award compliance requirements, allowable costs and activities include payroll expenses related to employees involved with the grant process.

Questioned costs – None noted.

Condition – Payroll expense related to employees involved with the grant were submitted to Central Iowa Hospital Corporation; however, the Medical Center submitted less expense than they should have.

Cause – The Medical Center did not update one employee’s pay rate for their 2013 raise when calculating the payroll expense related to the BTOP grant.

Effect –A deficiency in internal controls over compliance associated with allowance activities and costs was noted; however, it did not result in questioned costs.

Recommendation – We recommend that management review the pay rates used to ensure that the submitted expenses are accurate.

Response – Management will more closely review the submitted expenses.

Part IV: Other Findings Related to Required Statutory Reporting:

- 2013-IA-A Certified Budget** – Expenditures during the year ended June 30, 2013 did not exceed the amount budgeted.
- 2013-IA-B Questionable Expenditures** – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2013-IA-C Travel Expense** – No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.
- 2013-IA-D Business Transactions** – We noted no material business transactions between the Medical Center and Medical Center officials and/or employees.
- 2013-IA-E Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2013-IA-F Deposits and Investments** – The Medical Center exceeded limits within its depository resolution at certain times during the year ended June 30, 2013.

Recommendation – It is recommended that the Medical Center monitor deposits at each bank to ensure deposits do not exceed the amount allowed by the current depository resolution. We also recommend evaluating the adequacy of the current deposit limits in relation to the existing cash and deposit balances.

Response – We will monitor cash balances and assess the adequacy of the current deposit limits.

- 2013-IA-G Publication of Bills Allowed and Salaries** – Chapter 347.13(11) of the Code of Iowa states “There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...” The Medical Center published a schedule of bills allowed and a schedule of salaries paid as required by the Code of Iowa.

2012 - 001 Segregation of Duties over Federal Revenues and Expenditures

Federal Award – United States Department of Commerce, ARRA Broadband Technology Opportunities Program (BTOP), federal CFDA number 11.557

Finding – The Medical Center did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs.

Status – The Medical Center changed auditors for the current year ending June 30, 2013. There is a difference in opinion in relation to the segregation of duties over Federal revenues and expenditures. Eide Bailly believes the Medical Center has proper segregation in regards to Federal grants. Therefore, this will not be included as a finding for the year ended June 30, 2013.



March 3, 2014

The Board of Trustees and Management
Greene County Medical Center
Jefferson, Iowa

We have audited the financial statements of Greene County Medical Center (Medical Center) and its discretely presented component unit, Greene County Medical Center Foundation (Foundation), for the year ended June 30, 2013 and have issued our report thereon dated March 3, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Medical Center are described in Note 1 to the financial statements. As described in Note 1 and Note 17, the Medical Center adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34* during the year ended June 30, 2013. The adoption of GASB Statement No. 61 resulted in reporting the Foundation as a discretely presented component unit rather than a blended component unit as it was recorded in the 2012 financial statements. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

Also, as described in Note 18 during the year ended June 30, 2013, management of the Medical Center determined that the Evergreene Ridge building was not reported as an asset on the Foundation's statement of financial position. Accordingly, the net book value of the building and corresponding depreciation expense have been recorded and retrospectively applied to prior periods presented as if they had always been recorded.

We noted no transactions entered into by the Medical Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Collectability of Patient and Resident Receivables – Management’s estimate of the allowance for contractual adjustments and doubtful accounts on patient and resident receivables is based on historical loss levels and an analysis of the estimated collections of individual accounts.

Estimated Third-Party Payor Settlements – Management’s estimate of the amounts either owed to or receivable from third-party payors is based on both final and tentatively settled cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that the estimates for all open years are adequate. Any differences between the estimates and the final settlements will be recorded in the period the final settlements are made and will not be treated as prior period adjustments.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of prior period adjustments due to adopting Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34* in Note 17 and correction of an error to record the Evergreene Ridge building as noted in Note 18 to the financial statements.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatements to the Medical Center’s financial statements, some of which are considered material, were detected as a result of our audit procedures and have been corrected by management.

	<u>Increase (Decrease) to Net Position of the Medical Center</u>
To adjust estimated third-party payor settlements	\$ (1,270,000)
To adjust beginning balance in net position for prior year audit entries	334,000
To recognize Medicaid EHR incentive payment	155,000
To adjust physician loans receivable	29,000

The net effect of these adjustments was to decrease net position by (\$752,000).

In addition, the following balance sheet reclassification was detected as a result of our audit procedures and has been corrected by management.

To record 80% of remaining Medicare EHR incentive	\$	1,418,000
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The following misstatements to the Foundation financial statements, which includes one that is considered material and has been recorded as a restatement to the 2012 financial statements, were detected as a result of our audit procedures and have been corrected by management.

	<u>Increase (Decrease) to Net Assets of the Foundation</u>	
To recognize the Evergreene Ridge building net of related accumulated depreciation expense	\$	845,000
To adjust annuity payable		12,000

The net effect of these adjustments was to increase net assets by \$857,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Medical Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Medical Center's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

New Accounting Pronouncements

Newly Implemented Standards

During the year ended June 30, 2013, the Medical Center implemented the following new accounting standards. Adoption of these standards did not have a material impact of the financial statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements: Statement No. 62 supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position: Statement No. 63 amends Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities: Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The Medical Center elected to implement this statement early for the year ended June 30, 2013. As a result of the standard, deferred electronic health record incentive income and deferred succeeding property tax support have been classified as deferred inflows of resources on the Balance Sheet for the years ended June 30, 2013 and 2012.

Upcoming Accounting Pronouncements

We recommend that the Medical Center review the following upcoming statements and evaluate the potential impact of these statements on the financial statements when implemented.

GASB Statement No. 67, *Financial Reporting for Pension Plans*: Statement No. 67 revises existing guidance for the financial reports of most pension plans and Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other provisions, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This Statement calls for immediate recognition of more pension expense than is currently required. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

This information is intended solely for the use of the Board of Trustees and management of Greene County Medical Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa