

**Greater Regional Medical Center
Creston, Iowa**

FINANCIAL REPORT

June 30, 2013

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**Greater Regional Medical Center
OFFICIALS
June 30, 2013**

BOARD OF TRUSTEES

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Tom Dunphy, Treasurer

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Carolyn Dillenburg
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Expiration of term

December 31, 2018
December 31, 2018
December 31, 2014
December 31, 2016

December 31, 2014
December 31, 2016
December 31, 2018

CHIEF EXECUTIVE OFFICER

Monte Neitzel

CHIEF FINANCIAL OFFICER

Matt McCutchan

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

We have audited the accompanying financial statements of Greater Regional Medical Center and its component unit, Greater Regional Healthcare Foundation, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Medical Center's and Foundation's basic 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 of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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 Greater Regional Medical Center and its component unit, Greater Regional Healthcare Foundation, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-11 and schedule of funding progress for the retiree health plan on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 our report dated September 18, 2013 on our consideration of Greater Regional Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Regional Medical Center's internal control over financial reporting and compliance.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 18, 2013

Greater Regional Medical Center MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Greater Regional Medical Center, we offer readers of the financial statements this narrative overview and analysis of the Medical Center's financial performance during the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the Medical Center's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis, the independent auditor's reports, the basic financial statements of the Medical Center, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Medical Center report information of the Medical Center using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources, assets, and the obligations to Medical Center's creditors, liabilities. It also provides the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Medical Center operations over the past year and can be used to determine whether the Medical Center has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

- Total assets decreased by \$1,359,536, or 2%, to \$62,523,296
- Total noncurrent assets whose use is limited increased by \$2,144,107 to \$3,379,455
- Total property and equipment decreased by \$2,556,195 to \$40,331,695
- Total net position increased by \$446,904 to \$39,816,956
- Total long-term debt decreased by \$908,760 to \$17,536,142
- Net patient service revenue increased by \$3,798,856, or 11%, to \$39,424,831
- Operating expenses increased by \$3,927,062, or 10%, to \$42,534,633

Financial Analysis of the Medical Center

The balance sheets and the statements of revenues, expenses, and changes in net position report the net position of the Medical Center and the changes in them. The Medical Center's net position, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

A summary of the Medical Center's balance sheets is presented in Table 1.

Table 1
Condensed Balance Sheets

	June 30		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$17,370,719	\$18,344,362	\$15,006,033
Noncurrent assets whose use is limited	3,379,455	1,235,348	6,660,952
Property and equipment	40,331,695	42,887,890	34,528,247
Other assets	<u>1,441,427</u>	<u>1,415,232</u>	<u>1,320,968</u>
Total assets	<u>\$62,523,296</u>	<u>\$63,882,832</u>	<u>\$57,516,200</u>
Current liabilities	\$ 5,056,876	\$ 5,862,430	\$ 3,964,710
Long-term debt, less current maturities	16,472,464	17,477,450	17,024,903
Other noncurrent liabilities	<u>1,177,000</u>	<u>1,172,900</u>	<u>1,148,500</u>
Total liabilities	<u>\$22,706,340</u>	<u>\$24,512,780</u>	<u>\$22,138,113</u>
Invested in capital assets, net of related debt	\$22,795,553	\$22,635,686	\$16,740,800
Restricted	524,629	1,097,190	625,926
Unrestricted	<u>16,496,774</u>	<u>15,637,176</u>	<u>18,011,361</u>
Total net position	<u>\$39,816,956</u>	<u>\$39,370,052</u>	<u>\$35,378,087</u>

As depicted in Table 1, total assets increased in fiscal year 2013 to \$62,523,296. The change in total assets is primarily a result of depreciation expense recognized in excess of additions to property and equipment.

A summary of the Medical Center's historical statements of revenues, expenses, and changes in net position is presented in Table 2.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net position

	Year ended June 30		
	2013	2012	2011
Net patient service revenue	\$39,424,831	\$35,625,975	\$36,697,217
Other revenue	<u>2,973,133</u>	<u>3,438,631</u>	<u>1,529,553</u>
Total revenue	<u>42,397,964</u>	<u>39,064,606</u>	<u>38,226,770</u>
Salaries	17,940,327	16,418,598	15,902,844
Supplies and expenses	20,966,262	19,115,556	19,055,358
Provision for depreciation	<u>3,628,044</u>	<u>3,073,417</u>	<u>2,693,186</u>
Total operating expenses	<u>42,534,633</u>	<u>38,607,571</u>	<u>37,651,388</u>
Operating income (loss)	<u>(136,669)</u>	<u>457,035</u>	<u>575,382</u>
County taxes	1,152,000	1,152,000	1,153,546
Investment income	50,882	117,081	169,445
Interest and amortization expense	(707,140)	(444,558)	(523,181)
Unrestricted contributions	19,755	4,892	77,685
Loss on disposal of assets	<u>297</u>	<u>(8,137)</u>	<u>(7,332)</u>
Total nonoperating gains	<u>515,794</u>	<u>821,278</u>	<u>870,163</u>
Excess of revenues over expenses before other changes in net position	379,125	1,278,313	1,445,545
Restricted contributions	67,779	19,565	-
Insurance proceeds in excess of casualty loss	<u>-</u>	<u>2,694,087</u>	<u>-</u>
Change in net position	446,904	3,991,965	1,445,545
Total net position, beginning	<u>39,370,052</u>	<u>35,378,087</u>	<u>33,932,542</u>
Total net position, ending	<u>\$39,816,956</u>	<u>\$39,370,052</u>	<u>\$35,378,087</u>

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in net position between June 30, 2013 and 2012.

Net Patient Service Revenue: Net patient service revenue is a product of volume, price increases and payor mix.

Volume: Medical, surgical and obstetrical discharges for fiscal year 2013 were 689 compared to 663 in fiscal year 2012. Average length of stay increased as medical, surgical and obstetrical patient days increased to 2,105 from 1,991 in 2012. Swing bed discharges for fiscal year 2013 were 75 compared to 63 in fiscal year 2012. Average length of stay decreased as swing bed patient days decreased to 526 from 588 in 2012. Volume on the outpatient side increased in 2013. In 2013, gross outpatient charges increased to \$57,542,979 compared to \$49,376,111 in 2012.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2013. Overall, gross patient service revenue increased to \$67,829,771 from \$56,202,698 in 2012. Operating room, magnetic resonance imaging and Surgical Specialists Clinic reflected the most significant increases in 2013.

Payor Mix: The Medical Center is designated a Critical Access Medical Center. As a Critical Access Medical Center, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts increased to \$28,404,940 in 2013 from \$20,576,723 in 2012. This represents 42% and 37% of gross patient charges for 2013 and 2012, respectively.

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

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	42%	43%	44%
Medicaid	9	11	11
Commercial insurance	46	42	41
Patients	<u>3</u>	<u>4</u>	<u>4</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue decreased to \$2,973,133 in 2013 compared to \$3,438,631 in 2012 due to business interruption insurance income received in 2012.

Expenses

Approximately 42% of the Medical Center's expenses are for salaries. Total salaries increased by 9% to \$17,940,327 in 2013 from \$16,418,598 in 2012. The Medical Center departments experiencing the most significant increase in 2013 included operating and recovery rooms and Surgical Specialists Clinic.

Approximately 49% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 10% to \$20,966,262 in 2013 from \$19,115,556 in 2012. The Medical Center departments experiencing the most significant increases in 2013 included pharmacy and group health and life insurance.

Approximately 9% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$3,628,044 in 2013 from \$3,073,417 in 2012.

Nonoperating Gains (Losses)

Nonoperating gains (losses) decreased to \$515,794 in 2013 from \$821,278 in 2012, primarily due to increased interest and amortization expense.

Other Changes in Net Position

During April, 2012, the Medical Center was damaged by a tornado. As a result, the Medical Center recorded a net gain from the insurance proceeds received in excess of the casualty loss in the amount of \$2,694,087.

Property and Equipment

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

Table 4
Property and Equipment

	June 30		
	2013	2012	2011
Land	\$ 168,265	\$ 167,137	\$ 149,491
Land improvements	3,166,716	3,189,497	3,170,210
Building and improvements	36,845,162	36,588,939	26,757,121
Fixed equipment	12,159,924	12,153,291	5,174,302
Major movable equipment	11,162,808	11,263,886	12,299,319
Crestridge Estates	3,419,526	3,363,382	3,340,079
Construction in progress	<u>262,780</u>	<u>158,852</u>	<u>8,510,187</u>
Subtotal	67,185,181	66,884,984	59,400,709
Less accumulated depreciation	<u>(26,853,486)</u>	<u>(23,997,094)</u>	<u>(24,872,462)</u>
Net property and equipment	<u>\$40,331,695</u>	<u>\$42,887,890</u>	<u>\$34,528,247</u>

At the end of 2013, the Medical Center had \$40,331,695 invested in property and equipment, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in property and equipment. In 2013, \$1,113,734 was spent to acquire property and equipment. Construction in progress at year end consists of primarily of equipment installations in progress.

Debt Administration

At year end, the Medical Center had \$17,536,142 in current and long-term debt related to Medical Center Revenue Bonds, a decrease of \$908,760 from 2012. This decrease is the result of advances on new debt in the amount of \$3,915,000 net of the required payments made on the outstanding bonds of \$927,659 and a refunding of the Series 2008 Bonds in the amount of \$3,896,101. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 77% of the Medical Center's total liabilities as of year end.

Performance Compared to County Medical Center Budget

The Medical Center prepares its annual County Medical Center budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Medical Center budget and GAAP basis are presented in the Notes to Financial Statements. A comparison of the Medical Center's fiscal year 2013 actual budget basis financial information to its annual County Medical Center budget is presented in Table 5.

**Table 5
Actual vs County Medical Center Budget**

	<u>Actual budget basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 1,152,000	\$ 1,091,472	\$ 60,528
Other revenues/receipts	<u>42,468,339</u>	<u>45,301,599</u>	<u>(2,833,260)</u>
	43,620,339	46,393,071	(2,772,732)
Expenses/expenditures	<u>41,655,122</u>	<u>46,954,773</u>	<u>(5,299,651)</u>
Net	<u>\$ 1,965,217</u>	<u>\$ (561,702)</u>	<u>\$2,526,919</u>

Actual other revenues/receipts results were less than County Medical Center budget primarily due to lower patient service revenue than budgeted amounts. Expenses/expenditures were lower than County Medical Center budget primarily due to less additions to property and equipment.

Economic and Other Factors and Next Year's Budget

The Medical Center's board and management considered many factors when setting the fiscal year 2014 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors
- Cost of supplies
- Facility expansion and growth in demand for services
- Technology advancements

Contacting Greater Regional Medical Center's Management

This financial report is designed to provide users with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability. If you have questions about this report or need additional information, contact Greater Regional Medical Center at (641) 782-7091 or write care of: Chief Financial Officer, Greater Regional Medical Center, 1700 West Townline, Creston, Iowa 50801.

Greater Regional Medical Center
BALANCE SHEETS
June 30, 2013 and 2012

ASSETS	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2013	2012	2013	2012
CURRENT ASSETS				
Cash and cash equivalents	\$ 9,879,453	\$11,958,636	\$ 140,929	\$ 139,184
Investments	-	-	301,768	263,105
Patient receivables, less allowances for contractual adjustments and bad debts	5,989,578	4,474,901	-	-
Other receivables	22,323	53,058	-	-
Contributions receivable	-	-	29,662	31,997
Estimated third party payor settlements	-	130,000	-	-
Inventories	976,911	1,076,859	-	-
Prepaid expenses	502,454	650,908	-	-
Total current assets	<u>17,370,719</u>	<u>18,344,362</u>	<u>472,359</u>	<u>434,286</u>
ASSETS WHOSE USE IS LIMITED				
Designated by board for plant replacement and expansion				
Cash and cash equivalents	<u>2,854,826</u>	<u>138,158</u>	<u>-</u>	<u>-</u>
Restricted for payment of long-term debt and interest				
Cash, debt service reserve fund	<u>524,629</u>	<u>1,097,190</u>	<u>-</u>	<u>-</u>
Total assets whose use is limited	<u>3,379,455</u>	<u>1,235,348</u>	<u>-</u>	<u>-</u>
PROPERTY AND EQUIPMENT	67,185,181	66,884,984	-	-
Less accumulated depreciation	<u>26,853,486</u>	<u>23,997,094</u>	<u>-</u>	<u>-</u>
Total property and equipment	<u>40,331,695</u>	<u>42,887,890</u>	<u>-</u>	<u>-</u>
OTHER ASSETS				
Unamortized financing costs	351,427	325,232	-	-
Succeeding year property tax receivable	<u>1,090,000</u>	<u>1,090,000</u>	<u>-</u>	<u>-</u>
Total other assets	<u>1,441,427</u>	<u>1,415,232</u>	<u>-</u>	<u>-</u>
Totals	<u>\$62,523,296</u>	<u>\$63,882,832</u>	<u>\$ 472,359</u>	<u>\$ 434,286</u>

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2013	2012	2013	2012
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 1,063,678	\$ 967,452	\$ -	\$ -
Accounts payable				
Trade	1,216,345	975,560	-	-
Construction	-	1,807,302	-	-
Accrued employee compensation	1,761,884	1,683,146	-	-
Payroll taxes and amounts withheld from employees	274,191	251,424	-	-
Accrued interest	72,278	110,546	-	-
Estimated third-party payor settlements	635,000	-	-	-
Deferred incentive revenue	33,500	67,000	-	-
Total current liabilities	<u>5,056,876</u>	<u>5,862,430</u>	<u>-</u>	<u>-</u>
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	16,472,464	17,477,450	-	-
Deferred revenue for succeeding year property tax receivable	1,090,000	1,090,000	-	-
Net OPEB liability	87,000	82,900	-	-
Total long-term liabilities	<u>17,649,464</u>	<u>18,650,350</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	22,795,553	22,635,686	-	-
Restricted	524,629	1,097,190	-	-
Unrestricted	<u>16,496,774</u>	<u>15,637,176</u>	<u>472,359</u>	<u>434,286</u>
Total net position	<u>39,816,956</u>	<u>39,370,052</u>	<u>472,359</u>	<u>434,286</u>
Totals	<u>\$62,523,296</u>	<u>\$63,882,832</u>	<u>\$ 472,359</u>	<u>\$ 434,286</u>

Greater Regional Medical Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2013 and 2012

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2013 \$1,835,016; 2012 \$1,745,013	\$39,424,831	\$35,625,975	\$ -	\$ -
OTHER REVENUE	<u>2,973,133</u>	<u>3,438,631</u>	<u>19,980</u>	<u>40,985</u>
Total revenue	<u>42,397,964</u>	<u>39,064,606</u>	<u>19,980</u>	<u>40,985</u>
OPERATING EXPENSES				
Nursing service	9,131,572	8,733,603	-	-
Other professional service	16,443,451	14,514,370	-	-
General service	2,791,178	2,573,369	-	-
Fiscal and administrative service and unassigned expenses	10,540,388	9,712,812	101,832	60,089
Provision for depreciation	<u>3,628,044</u>	<u>3,073,417</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>42,534,633</u>	<u>38,607,571</u>	<u>101,832</u>	<u>60,089</u>
Operating income (loss)	<u>(136,669)</u>	<u>457,035</u>	<u>(81,852)</u>	<u>(19,104)</u>
NONOPERATING GAINS (LOSSES)				
County taxes	1,152,000	1,152,000	-	-
Interest income	50,882	117,081	391	195
Unrealized gain (loss) on investments	-	-	41,081	(9,612)
Interest and amortization expense	(707,140)	(444,558)	-	-
Unrestricted contributions	19,755	4,892	78,453	97,937
Other	<u>297</u>	<u>(8,137)</u>	<u>-</u>	<u>-</u>
Total nonoperating gains (losses)	<u>515,794</u>	<u>821,278</u>	<u>119,925</u>	<u>88,520</u>
Excess of revenues over expenses before other changes in net position	379,125	1,278,313	38,073	69,416
Restricted contributions	67,779	19,565	-	-
Insurance proceeds in excess of casualty loss	<u>-</u>	<u>2,694,087</u>	<u>-</u>	<u>-</u>
Change in net position	446,904	3,991,965	38,073	69,416
TOTAL NET POSITION				
Beginning	<u>39,370,052</u>	<u>35,378,087</u>	<u>434,286</u>	<u>364,870</u>
Ending	<u>\$39,816,956</u>	<u>\$39,370,052</u>	<u>\$ 472,359</u>	<u>\$ 434,286</u>

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS
Year ended June 30, 2013 and 2012

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patients and third-party payors	\$38,675,154	\$35,708,902	\$ —	\$ —
Cash paid to suppliers for goods and services	(20,419,473)	(18,903,799)	(101,832)	(60,089)
Cash paid to employees for services	(17,861,589)	(16,301,547)	—	—
Other operating revenue received	<u>2,939,633</u>	<u>3,505,631</u>	<u>19,980</u>	<u>40,985</u>
Net cash provided by (used in) operating activities	<u>3,333,725</u>	<u>4,009,187</u>	<u>(81,852)</u>	<u>(19,104)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
County taxes received	1,152,000	1,152,000	—	—
Contributions received	<u>19,755</u>	<u>24,457</u>	<u>80,788</u>	<u>95,690</u>
Net cash provided by noncapital financing activities	<u>1,171,755</u>	<u>1,176,457</u>	<u>80,788</u>	<u>95,690</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment	(2,878,854)	(13,378,762)	—	—
Payments for financing costs	(57,411)	(117,532)	—	—
Proceeds from issuance of long-term debt	3,915,000	6,690,000	—	—
Principal payments on long-term debt	(4,823,760)	(6,032,545)	—	—
Interest paid on long-term debt	(714,192)	(465,387)	—	—
Contributions received	67,779	—	—	9,328
Insurance proceeds received	<u>—</u>	<u>5,956,931</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,491,438)</u>	<u>(7,347,295)</u>	<u>—</u>	<u>9,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	50,882	117,081	391	195
Purchase of investments	—	—	—	(25,000)
Proceeds from maturities of investments	<u>—</u>	<u>—</u>	<u>2,418</u>	<u>2,000</u>
Net cash provided by (used in) investing activities	<u>50,882</u>	<u>117,081</u>	<u>2,809</u>	<u>(22,805)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,924	(2,044,570)	1,745	63,109
CASH AND CASH EQUIVALENTS				
Beginning	<u>13,193,984</u>	<u>15,238,554</u>	<u>139,184</u>	<u>76,075</u>
Ending	<u>\$13,258,908</u>	<u>\$13,193,984</u>	<u>\$ 140,929</u>	<u>\$ 139,184</u>

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)
Year ended June 30, 2013 and 2012

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (136,669)	\$ 457,035	\$ (81,852)	\$ (19,104)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	3,628,044	3,073,417	—	—
Changes in assets and liabilities				
Patient receivables	(1,514,677)	212,927	—	—
Other receivables	30,735	40,366	—	—
Net estimated third-party payor settlements	765,000	(130,000)	—	—
Inventories	99,948	(126,955)	—	—
Prepaid expenses	148,454	46,367	—	—
Accounts payable, trade	240,785	186,475	—	—
Accrued employee compensation	78,738	117,051	—	—
Payroll taxes and amounts withheld from employees	22,767	41,104	—	—
Deferred incentive revenue	(33,500)	67,000	—	—
Other long-term liability	<u>4,100</u>	<u>24,400</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) operating activities	<u>\$ 3,333,725</u>	<u>\$ 4,009,187</u>	<u>\$ (81,852)</u>	<u>\$ (19,104)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET				
Cash and cash equivalents per balance sheet				
Current assets	\$ 9,879,453	\$11,958,636	\$ 140,929	\$ 139,184
Assets whose use is limited				
Designated by board for plant replacement and expansion	2,854,826	138,158	—	—
Restricted for payment of long-term debt and interest	<u>524,629</u>	<u>1,097,190</u>	<u>—</u>	<u>—</u>
Total per statement of cash flows	<u>\$13,258,908</u>	<u>\$13,193,984</u>	<u>\$ 140,929</u>	<u>\$ 139,184</u>

See Notes to Financial Statements.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Medical Center is a county public Medical Center organized under Chapter 347, Code of Iowa, not subject to taxes on income or property, and receives tax support from Union County, Iowa. The Medical Center is governed by a seven member Board of Trustees elected for terms of six years.

Reporting Entity

For financial reporting purposes, Greater Regional Medical Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Medical Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Medical Center. These criteria also include organizations that are fiscally dependent on the Medical Center. The Medical Center has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is Greater Regional Healthcare Foundation.

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

Measurement Focus and Basis of Accounting

The Medical Center is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Medical Center is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Medical Center uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

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

Cash and Cash Equivalents

Cash and cash equivalents includes certificates of deposits.

Investments and Investment Income

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

Contributions Receivable

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

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at average cost, based on the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Medical Center is three to forty years.

Unamortized Financing Costs

Unamortized financing costs are amortized over the life of the issues, using the straight-line method.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

Net position

Net position is presented in the following three components:

Net investment in capital assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the bonds and notes payable that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Restricted net position consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments.

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Credit Policy

The Medical Center grants credit to patients, substantially all of whom are residents of the County.

Accounting Estimates and Assumptions

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

Reclassifications

Certain amounts have been reclassified in the 2012 financial statements in order to conform with the 2013 presentation, with no effect on the change in net position.

Income Taxes

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

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

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

As to interest rate risk, the Medical Center's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Medical Center.

NOTE 3 PATIENT AND CONTRIBUTION RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Medicare	\$ 3,515,733	\$2,006,018
Medicaid	435,023	573,989
Commercial insurance	4,304,644	2,918,750
Patients	<u>2,117,178</u>	<u>2,056,144</u>
Total patient receivables	10,372,578	7,554,901
Less allowances for contractual adjustments and bad debts	<u>(4,383,000)</u>	<u>(3,080,000)</u>
Net patient receivables	<u>\$ 5,989,578</u>	<u>\$4,474,901</u>

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

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Unconditional promises to give	\$ 29,662	\$ 31,997
Less allowance for uncollectible promises	<u>—</u>	<u>—</u>
Net contributions receivable	<u>\$ 29,662</u>	<u>\$ 31,997</u>

The contributions receivable are due as follows:

Less than one year	\$ 14,662	\$ 16,997
One to five years	<u>15,000</u>	<u>15,000</u>
Total contributions receivable	<u>\$ 29,662</u>	<u>\$ 31,997</u>

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Medical Center is designated a Critical Access Medical Center. As a Critical Access Medical Center, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediary. The Medical Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011.

Other

The Medical Center has payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 168,265	\$ —	\$ 167,137	\$ —
Land improvements	3,166,716	1,830,164	3,189,497	1,661,996
Building and improvements	36,845,162	10,613,283	36,588,939	8,928,775
Fixed equipment	12,159,924	4,985,224	12,153,291	4,320,852
Major movable equipment	11,162,808	7,985,166	11,263,886	7,806,090
Crestridge Estates	3,419,526	1,439,649	3,363,382	1,279,381
Construction in progress	<u>262,780</u>	<u>—</u>	<u>158,852</u>	<u>—</u>
Totals	<u>\$67,185,181</u>	<u>\$26,853,486</u>	<u>\$66,884,984</u>	<u>\$23,997,094</u>

At June 30, 2013 construction in progress consists primarily of equipment installations in process.

A summary of changes in property and equipment for the year ended June 30, 2013 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 167,137	\$ 1,128	\$ —	\$ —	\$ 168,265
Land improvements	3,189,497	41,394	—	(64,175)	3,166,716
Building and improvements	36,588,939	106,334	—	149,889	36,845,162
Fixed equipment	12,153,291	189,720	10,184	(172,903)	12,159,924
Major movable equipment	11,263,886	98,074	803,353	604,201	11,162,808
Crestridge Estates	3,363,382	—	—	56,144	3,419,526
Construction in progress	<u>158,852</u>	<u>677,084</u>	<u>—</u>	<u>(573,156)</u>	<u>262,780</u>
Totals	66,884,984	1,113,734	813,537	—	67,185,181
Less accumulated depreciation	<u>(23,997,094)</u>	<u>(3,628,044)</u>	<u>(771,652)</u>	<u>—</u>	<u>(26,853,486)</u>
Net property and equipment	<u>\$42,887,890</u>	<u>\$(2,514,310)</u>	<u>\$ 41,885</u>	<u>\$ —</u>	<u>\$40,331,695</u>

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2012 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 149,491	\$ 17,646	\$ —	\$ —	\$ 167,137
Land improvements	3,170,210	—	31,305	50,592	3,189,497
Building and improvements	26,757,121	2,477,214	881,821	8,236,425	36,588,939
Fixed equipment	5,174,302	367,186	496,093	7,107,896	12,153,291
Major movable equipment	12,299,319	600,147	2,547,703	912,123	11,263,886
Crestridge Estates	3,340,079	23,303	—	—	3,363,382
Construction in progress	<u>8,510,187</u>	<u>7,955,701</u>	<u>—</u>	<u>(16,307,036)</u>	<u>158,852</u>
Totals	59,400,709	11,441,197	3,956,922	—	66,884,984
Less accumulated depreciation	<u>(24,872,462)</u>	<u>(3,073,417)</u>	<u>3,948,785</u>	<u>—</u>	<u>(23,997,094)</u>
Net property and equipment	<u>\$34,528,247</u>	<u>\$ 8,367,780</u>	<u>\$ 8,137</u>	<u>\$ —</u>	<u>\$42,887,890</u>

NOTE 6 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Medical Center Revenue Refunding Bonds, Series 2012	\$ 3,790,000	\$ —
Medical Center Revenue Refunding Bonds, Series 2011	4,240,000	4,710,000
Medical Center Revenue Bond, Series 2010	9,506,142	9,838,801
Medical Center Revenue Bond, Series 2008	<u>—</u>	<u>3,896,101</u>
Total	17,536,142	18,444,902
Less current maturities	<u>1,063,678</u>	<u>967,452</u>
Long-term debt, net of current maturities	<u>\$16,472,464</u>	<u>\$17,477,450</u>

Medical Center Revenue Refunding Bonds, Series 2012

The Medical Center issued Medical Center Revenue Refunding Bonds, Series 2012 in the original amount of \$3,915,000. The Bonds are payable solely from future revenues of the Medical Center and are due semiannually through July 1, 2026. Interest is payable semiannually at remaining interest rates of 1% to 4.6%. At June 30, 2013, the remaining balance on these Bonds is \$3,790,000. The Bonds contain a number of covenants regarding the operation of the Medical Center, and the Medical Center is in substantial compliance with those covenants.

Medical Center Revenue Refunding Bonds, Series 2011

The Medical Center issued Medical Center Revenue Refunding Bonds, Series 2011 in the original amount of \$5,240,000. The Bonds are payable solely from future revenues of the Medical Center and are due each June 1 through 2021. Interest is payable semiannually at remaining interest rates of 2.0% to 4.25%. At June 30, 2013, the remaining balance on these Bonds is \$4,240,000. The Bonds contain a number of covenants regarding the operation of the Medical Center, and the Medical Center is in substantial compliance with those covenants.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

Medical Center Revenue Bond, Series 2010

The Medical Center issued Medical Center Revenue Bond, Series 2010 in the original amount of \$10,000,000. The Bond is payable solely from future revenues of the Medical Center and is due each June 30th and December 31st through 2031. Interest is payable at 4.22% through December 31, 2021, after which time it will be adjusted to a fixed rate equal to 375 basis points above the five-year Federal Home Loan Bank Fixed Advance Rate. At June 30, 2013 the remaining balance on this bond is \$9,506,142. The Bond contains a number of covenants regarding the operation of the Medical Center, and the Medical Center is in substantial compliance with those covenants.

As to the above Medical Center Revenue Bonds, Series 2012, Series 2011 and Series 2010, the Medical Center has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The Bonds were issued to finance capital improvements of the Medical Center. The net revenues are pledged through December 31, 2031. As of June 30, 2013 the remaining principal and interest on the Bonds was \$23,670,526. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Series 2011, 2010, 2008 and 2002 Bonds for the years ended June 30, 2013 and 2012:

	Year ended June 30	
	2013	2012
Change in net position	\$ 446,904	\$3,991,965
Provision for depreciation	3,628,044	3,073,417
Interest expense on the Bonds	676,803	452,848
 Pledged net revenues	 \$4,751,751	 \$7,518,230
 Principal and interest requirements on the Bonds	 \$1,721,643	 \$1,557,043

Maturities required on long-term debt are as follows:

Year ending June 30	Revenue Refunding Bonds Series 2012	Revenue Refunding Bonds Series 2011	Revenue Bond Series 2010	Total principal	Interest	Total
2014	\$ 240,000	\$ 480,000	\$ 343,678	\$ 1,063,678	\$ 661,068	\$ 1,724,746
2015	240,000	485,000	360,815	1,085,815	631,690	1,717,505
2016	250,000	495,000	375,408	1,120,408	602,329	1,722,737
2017	250,000	510,000	392,696	1,152,696	566,835	1,719,531
2018	260,000	525,000	410,640	1,195,640	527,296	1,722,936
2019 to 2023	1,255,000	1,745,000	2,328,082	5,328,082	1,955,187	7,283,269
2024 to 2028	1,295,000	-	2,877,967	4,172,967	985,026	5,157,993
2029 to 2032	-	-	2,416,856	2,416,856	204,953	2,621,809
Totals	3,790,000	4,240,000	9,506,142	17,536,142	6,134,384	23,670,526
Less current maturities	240,000	480,000	343,678	1,063,678	661,068	1,724,746
 Total long-term debt	 \$3,550,000	 \$3,760,000	 \$9,162,464	 \$16,472,464	 \$5,473,316	 \$21,945,780

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

A summary of changes in long-term debt for the year ended June 30, 2013 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Medical Center Revenue Refunding Bonds, Series 2012	\$ -	\$3,915,000	\$ 125,000	\$ 3,790,000	\$ 240,000
Medical Center Revenue Refunding Bonds, Series 2011	4,710,000	-	470,000	4,240,000	480,000
Medical Center Revenue Bond, Series 2010	9,838,801	-	332,659	9,506,142	343,678
Medical Center Revenue Bond, Series 2008	<u>3,896,101</u>	<u>-</u>	<u>3,896,101</u>	<u>-</u>	<u>-</u>
Totals	<u>\$18,444,902</u>	<u>\$3,915,000</u>	<u>\$4,823,760</u>	<u>\$17,536,142</u>	<u>\$1,063,678</u>

A summary of changes in long-term debt for the year ended June 30, 2012 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Medical Center Revenue Refunding Bonds, Series 2011	-	\$5,240,000	\$ 530,000	\$ 4,710,000	\$ 470,000
Medical Center Revenue Bond, Series 2010	8,550,000	1,450,000	161,199	9,838,801	332,659
Medical Center Revenue Bond, Series 2008	4,053,618	-	157,517	3,896,101	164,793
Medical Center Revenue Bonds, Series 2002	5,105,000	-	5,105,000	-	-
Notes payable, equipment	<u>78,829</u>	<u>-</u>	<u>78,829</u>	<u>-</u>	<u>-</u>
Totals	<u>\$17,787,447</u>	<u>\$6,690,000</u>	<u>\$6,032,545</u>	<u>\$18,444,902</u>	<u>\$ 967,452</u>

NOTE 7 DEFINED BENEFIT PENSION PLAN

The Medical Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

For the year ended June 30, 2013 regular plan members were required to contribute 5.78% of their annual salary and the Medical Center is required to contribute 8.67% of annual covered payroll. 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 \$1,419,000, \$1,271,465 and \$1,065,523, respectively, equal to the required contributions for each year.

NOTE 8 CHARITY CARE

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Charges foregone, based on established rates	<u>\$ 350,246</u>	<u>\$ 595,097</u>

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

Equivalent percentage of charity care patients to all patients served 0.5% 1.0%

NOTE 9 MALPRACTICE CLAIMS

The Medical Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Medical Center is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Medical Center.

Incidents occurring through June 30, 2013 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 10 COUNTY MEDICAL CENTER BUDGET AND BUDGETARY ACCOUNTING

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

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

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 1,152,000	\$ -	\$ 1,152,000	\$ 1,091,472
Other revenues/receipts	41,829,537	<u>638,802</u>	42,468,339	<u>45,301,599</u>
	42,981,537	638,802	43,620,339	46,393,071
Expenses/expenditures	<u>42,534,633</u>	<u>(879,511)</u>	41,655,122	<u>46,954,773</u>
Net	446,904	1,518,313	1,965,217	(561,702)
Balance, beginning	<u>39,370,052</u>	<u>(24,578,293)</u>	<u>14,791,759</u>	<u>29,499,725</u>
Balance, ending	<u>\$39,816,956</u>	<u>\$(23,059,980)</u>	<u>\$16,756,976</u>	<u>\$28,938,023</u>

NOTE 11 MEDICAL BENEFIT PLAN

The Medical Center has entered into a self-insured medical benefit plan for virtually all employees. The plan is funded by both Medical Center and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$75,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$3,700,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2013 and 2012 were \$3,356,029 and \$2,679,728, respectively, included in fiscal and administrative and unassigned expenses.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

The Medical Center operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses and dependents. At the most recent actuarial valuation date there were 274 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

	Year ended June 30	
	2013	2012
Annual required contribution, ARC	\$ 31,900	\$ 39,200
Interest on net OPEB obligation	3,300	2,300
Adjustment to annual required contribution	<u>(4,800)</u>	<u>(3,200)</u>
Annual OPEB cost	30,400	38,300
Contributions made	<u>26,300</u>	<u>13,900</u>
Increase in net OPEB obligation	4,100	24,400
Net OPEB obligation, beginning of year	<u>82,900</u>	<u>58,500</u>
 Net OPEB obligation, end of year	 <u>\$ 87,000</u>	 <u>\$ 82,900</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2013, the Medical Center contributed \$26,300 to the plan. The Medical Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 and 2012 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2013	\$ <u>30,400</u>	<u>87%</u>	\$ <u>87,000</u>
June 30, 2012	\$ <u>38,300</u>	<u>36%</u>	\$ <u>82,900</u>

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$284,500 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$284,500. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14,869,000, and the ratio of the UAAL to the covered payroll was 1.9%. As of June 30, 2013, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Greater Regional Medical Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (continued)

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the Medical Center's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are approximately \$1,230 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 13 RISK MANAGEMENT

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

In April, 2012 the Medical Center was hit by a tornado causing significant damage to the roof structure and contents from the wind and rain. The Medical Center was closed for a short time and patients were diverted to other area Medical Centers. The cost to repair the damage to the building, fixtures and equipment was approximately \$8 million, including debris removal and cleanup. Repairs were substantially completed by June 30, 2012. Included in the statements of revenues, expenses and changes in net position is business interruption insurance income in the amount of \$1,641,231, included in other revenue, and insurance proceeds in excess of casualty loss in the amount of \$2,694,087, included as an other change in net position.

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

Required Supplementary Information

<u>Year ended June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial valuation of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2011	July 1, 2010	\$ —	\$307,500	\$307,500	0%	\$14,284,000	2.2%
2012	July 1, 2010	—	307,500	307,500	0%	14,284,000	2.2%
2013	July 1, 2012	—	284,500	284,500	0%	14,869,000	1.9%

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

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

We have audited the financial statements of Greater Regional Medical Center and its component unit, Greater Regional Healthcare Foundation, as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated September 18, 2013, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis 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 audits 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 18, 2013

**Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
0 – 30 days (includes patients in Medical Center at end of year)	\$ 5,526,408	\$4,039,238	53.28%	53.47%
31 – 60 days	2,160,512	1,356,398	20.83	17.95
61 – 90 days	1,053,322	467,341	10.15	6.19
91 – 120 days	528,579	439,097	5.10	5.81
Over 120 days	<u>1,103,757</u>	<u>1,252,827</u>	<u>10.64</u>	<u>16.58</u>
Totals	<u>10,372,578</u>	<u>7,554,901</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	1,465,000	700,000		
Medicaid	151,000	175,000		
Other	1,513,000	880,000		
Bad debts	<u>1,254,000</u>	<u>1,325,000</u>		
Total allowances	<u>4,383,000</u>	<u>3,080,000</u>		
Totals	<u>\$ 5,989,578</u>	<u>\$4,474,901</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 108,013</u>	<u>\$ 97,339</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>55</u>	<u>46</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
BALANCE , beginning	\$1,325,000	\$1,430,000		
ADD				
Provision for bad debts	1,835,016	1,745,013	4.43%	4.90%
Recoveries of accounts previously written off	<u>674,496</u>	<u>695,917</u>	1.71	1.95
	3,834,512	3,870,930		
DEDUCT				
Accounts written off	<u>2,580,512</u>	<u>2,545,930</u>	6.55	7.15
BALANCE , ending	<u>\$1,254,000</u>	<u>\$1,325,000</u>		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2013, with comparative totals for 2012

	2013			2012
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$ 2,079,757	\$ 182,723	\$ 2,262,480	\$ 1,978,648
Special care	66,790	-	66,790	44,369
Swing bed	346,966	-	346,966	339,720
Nursery	314,240	-	314,240	292,493
	<u>2,807,753</u>	<u>182,723</u>	<u>2,990,476</u>	<u>2,655,230</u>
OTHER NURSING SERVICES				
Observation room	-	900,976	900,076	609,583
Operating room	2,125,683	8,157,039	10,282,722	7,027,684
Recovery room	548,080	1,797,560	2,345,640	1,623,441
Delivery and labor rooms	347,006	-	347,006	284,231
Central services and supply	600,182	823,262	1,423,444	563,805
Emergency room	21,542	4,842,758	4,864,300	4,010,695
Ambulance	-	1,147,874	1,147,874	1,068,969
Home health services	-	3,070	3,070	373,437
Outreach services	-	250,795	250,795	227,766
Hospice	-	1,620,840	1,620,840	1,339,966
	<u>3,642,493</u>	<u>19,543,274</u>	<u>23,185,767</u>	<u>17,129,577</u>
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	643,270	4,824,086	5,467,356	5,546,160
Electrocardiology	7,415	109,060	116,475	87,993
Cardiology and vascular testing	59,432	559,748	619,180	696,237
Radiology and ultrasound	136,780	3,693,469	3,830,249	3,411,793
Radiation therapy	23,401	3,630,831	3,654,232	4,122,121
Nuclear medicine	5,410	498,298	503,708	334,309
CT scans	204,737	4,318,643	4,523,380	4,059,135
Magnetic resonance imaging	47,299	3,087,459	3,134,758	2,113,499
Pharmacy and intravenous therapy	1,018,869	6,336,673	7,355,542	6,448,954
Anesthesiology	374,803	984,655	1,359,458	923,690
Respiratory therapy	268,129	511,156	779,285	703,957
Rehabilitation therapy	281,765	1,371,361	1,653,126	1,036,079
Cardiac rehabilitation	95	229,166	229,261	223,636
Outpatient clinics and chemotherapy	747	891,115	891,862	917,776
Diabetic education	-	26,504	26,504	23,594
Lenox clinic	-	374,743	374,743	472,297
Greater Regional Medical Clinic	488,857	4,087,017	4,575,874	5,652,991
Surgical Specialists Clinic	625,783	2,282,998	2,908,781	238,767
	<u>4,186,792</u>	<u>37,816,982</u>	<u>42,003,774</u>	<u>37,012,988</u>
Totals	<u>\$10,637,038</u>	<u>\$57,542,979</u>	68,180,017	56,797,795
Charity care charges foregone, based on established rates			(350,246)	(595,097)
Total gross patient service revenue			67,829,771	56,202,698
Provisions for contractual adjustments and bad debts			(28,404,940)	(20,576,723)
Total net patient service revenue			<u>\$39,424,831</u>	<u>\$35,625,975</u>

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Contractual adjustments		
Medicare	\$12,477,647	\$ 8,935,824
Medicaid	2,319,604	2,074,623
Other adjustments	11,772,673	7,821,263
Provision for bad debts	<u>1,835,016</u>	<u>1,745,013</u>
 Totals	 <u>\$28,404,940</u>	 <u>\$20,576,723</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Business interruption insurance income	\$ 150,391	\$1,641,231
Rental income		
Crestridge Estates	618,470	583,389
Other	301,373	281,521
Electronic medical records incentive revenue	492,296	363,295
Pharmacy revenue		
Employees	174,969	239,521
340B contract	939,787	-
Cafeteria sales	203,267	198,575
Sale of supplies and miscellaneous services to employees and others	25,837	50,784
Wellness	5,580	15,184
Lifeline	-	3,000
Miscellaneous	<u>61,163</u>	<u>62,131</u>
 Totals	 <u>\$2,973,133</u>	 <u>\$3,438,631</u>

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2013, with comparative totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 147,142	\$ 5,925	\$ 153,067	\$ 146,487
Medical and surgical	1,548,376	143,580	1,691,956	1,741,989
Special care	36,998	1,602	38,600	57,498
Obstetric nursing, delivery and labor rooms	454,115	55,608	509,723	468,769
Operating and recovery rooms	1,339,476	892,303	2,231,779	1,967,082
Central services and supply	-	429,736	429,736	178,585
Emergency room	944,042	1,398,681	2,342,723	2,329,106
Ambulance	107,635	61,891	169,526	127,253
Home health services	-	-	-	390,992
Outreach services	129,238	103,330	232,568	197,159
Hospice	893,307	438,587	1,331,894	1,128,683
Total nursing service	<u>5,600,329</u>	<u>3,531,243</u>	<u>9,131,572</u>	<u>8,733,603</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	543,331	797,652	1,340,983	1,181,520
Pathology	-	97,889	97,889	81,260
Blood service	-	124,557	124,557	118,065
Cardiology and vascular testing	-	13,196	13,196	14,284
Radiology and ultrasound	609,482	478,877	1,088,359	1,118,961
Radiation therapy	216,395	961,187	1,177,582	1,335,128
Nuclear medicine	-	79,243	79,243	66,281
CT scans	-	250,262	250,262	304,661
Magnetic resonance imaging	58,801	524,106	582,907	621,736
Pharmacy	488,739	2,626,432	3,115,171	2,539,422
Intravenous therapy	-	11,980	11,980	10,764
Anesthesiology	-	15,991	15,991	28,405
Respiratory therapy	197,002	99,199	296,201	282,918
Rehabilitation therapy	561,717	118,244	679,961	637,632
Cardiac rehabilitation	67,437	29,126	96,563	76,315
Outpatient clinics and chemotherapy	238,209	60,232	298,441	244,082
Diabetic education	41,868	8,994	50,862	48,462
Bunn clinic	6,945	1,145	8,090	4,406
Lenox clinic	172,412	141,192	313,604	291,429
Medical Arts Plaza	-	-	-	45,894
Crestridge Estates	79,096	224,378	303,474	367,436
Greater Regional Medical Clinic	2,489,832	474,481	2,964,313	3,802,128
Surgical Specialists Clinic	2,451,259	282,403	2,733,662	497,842
Social services	-	88	88	3,127
Health information services	530,493	70,905	601,398	633,109
Quality assurance	167,992	30,682	198,674	159,103
Total other professional service	<u>8,921,010</u>	<u>7,522,441</u>	<u>16,443,451</u>	<u>14,514,370</u>

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2013, with comparative totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
GENERAL SERVICE				
Dietary	\$ 631,401	\$ 235,022	\$ 866,423	\$ 870,259
Plant operation	300,456	1,105,387	1,405,843	1,195,592
Housekeeping	350,211	116,134	466,345	433,257
Laundry	29,069	23,029	52,098	59,568
Linen	-	469	469	14,693
Total general service	<u>1,311,137</u>	<u>1,480,041</u>	<u>2,791,178</u>	<u>2,573,369</u>
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	366,141	172,365	538,506	578,545
Accounting	282,695	19,756	302,451	302,687
Human resources	179,740	75,836	255,576	274,339
Business office	692,833	107,023	799,856	954,314
Purchasing	196,894	47,404	244,298	237,778
Computer support	301,887	335,108	636,995	649,393
Public relations	-	180,744	180,744	124,515
Telephone	-	35,770	35,770	47,251
Professional fees	-	155,904	155,904	175,876
Collection fees	-	155,468	155,468	151,487
Receivables management fee	-	149,304	149,304	154,238
Dues and subscriptions	-	38,021	38,021	37,219
Travel and mileage	-	1,673	1,673	2,000
Publication fees	-	4,683	4,683	7,643
Physician recruitment	-	54,841	54,841	1,642
UNASSIGNED EXPENSES				
Wellness	66,840	24,232	91,072	76,312
Volunteer services	20,821	10,365	31,186	26,574
FICA	-	1,168,454	1,168,454	1,113,074
IPERS	-	1,419,000	1,419,000	1,271,465
Group health and life insurance	-	3,882,377	3,882,377	3,144,617
Workers' compensation insurance	-	218,632	218,632	218,641
Insurance	-	175,577	175,577	163,202
Total fiscal and administrative service and unassigned expenses	<u>2,107,851</u>	<u>8,432,537</u>	<u>10,540,388</u>	<u>9,712,812</u>
PROVISION FOR DEPRECIATION				
	<u>-</u>	<u>3,628,044</u>	<u>3,628,044</u>	<u>3,073,417</u>
Total expenses	<u>\$17,940,327</u>	<u>\$24,594,306</u>	<u>\$42,534,633</u>	<u>\$38,607,571</u>

**Greater Regional Medical Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2013</u>	<u>2012</u>
PATIENT DAYS		
Medical, surgical and obstetrical	2,105	1,991
Swing bed	526	588
Nursery	<u>340</u>	<u>352</u>
Totals	<u>2,971</u>	<u>2,931</u>
 DISCHARGES		
Medical, surgical and obstetrical	689	663
Swing bed	75	63
Nursery	<u>169</u>	<u>170</u>
Totals	<u>933</u>	<u>896</u>
 AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	3.06	3.00
Swing bed	7.01	9.33
Nursery	2.01	2.07

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Greater Regional Medical Center
Creston, Iowa

We have audited, in accordance with the 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 Greater Regional Medical Center, and its component unit, Greater Regional Healthcare Foundation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

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

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 Organizations' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

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 results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 18, 2013

**Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

Part II—Findings Related to Required Statutory Reporting

13-II-A CERTIFIED COUNTY HOSPITAL BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Medical Center did not exceed its County Hospital budget for the year ended June 30, 2013.

13-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

13-II-C TRAVEL EXPENSES

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

13-II-D BUSINESS TRANSACTIONS

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

13-II-E BOARD MINUTES

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

13-II-F DEPOSITS AND INVESTMENTS

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Medical Center's investment policy.