

**Greater Regional Medical Center  
Creston, Iowa**

**FINANCIAL REPORT**

**June 30, 2014**

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**Greater Regional Medical Center  
OFFICIALS  
June 30, 2014**

**BOARD OF TRUSTEES**

**Officers**

Dave Driskell, Chair  
Jack Davis, Vice Chair  
Sherry McKie, Secretary  
Tom Dunphy, Treasurer

**Members**

Carolyn Dillenburg  
Tom Lesan  
Dennis Nelson

**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, 2014 and 2013, 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, 2014 and 2013, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2014, the Medical Center adopted Governmental Accounting Standards Board Statement No. 65, Reporting Items Previously Recognized as Assets and Liabilities. Our opinion is not modified with respect to this matter.

## **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 29 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 15, 2014 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

West Des Moines, Iowa  
September 15, 2014

## **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, 2014 and 2013. 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 increased by \$195,838, or .3%, to \$62,367,707
- Total assets whose use is limited increased by \$1,280,478 to \$4,659,933
- Total property and equipment decreased by \$879,052 to \$39,452,643
- Total net position increased by \$1,082,933 to \$40,548,462
- Total current and long-term debt decreased by \$1,063,680 to \$16,472,462
- Net patient service revenue increased by \$444,492, or 1%, to \$39,869,323
- Operating expenses increased by \$120,041, or .3%, to \$42,654,674

### **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**

	<b>June 30</b>		
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>
Current assets	\$18,255,131	\$18,460,719	\$19,434,362
Assets whose use is limited	4,659,933	3,379,455	1,235,348
Property and equipment	39,452,643	40,331,695	42,887,890
Other assets	<u>—</u>	<u>—</u>	<u>325,232</u>
 Total assets	 <u><b>\$62,367,707</b></u>	 <u><b>\$62,171,869</b></u>	 <u><b>\$63,882,832</b></u>
Current liabilities	\$ 6,344,297	\$ 6,146,876	\$ 6,952,430
Long-term debt, less current maturities	15,386,648	16,472,464	17,477,450
Other noncurrent liabilities	<u>88,300</u>	<u>87,000</u>	<u>82,900</u>
 Total liabilities	 <u><b>\$21,819,245</b></u>	 <u><b>\$22,706,340</b></u>	 <u><b>\$24,512,780</b></u>
Invested in capital assets, net of related debt	\$22,980,181	\$22,795,553	\$22,635,686
Unrestricted	<u>17,568,281</u>	<u>16,669,976</u>	<u>16,734,366</u>
 Total net position	 <u><b>\$40,548,462</b></u>	 <u><b>\$39,465,529</b></u>	 <u><b>\$39,370,052</b></u>

As depicted in Table 1, total assets increased in fiscal year 2014 to \$62,367,707. The change in total assets is primarily a result of an increase in cash from operations.

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**

	<b>Year ended June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net patient service revenue	\$39,869,323	\$39,424,831	\$35,625,975
Other revenue	<u>3,249,143</u>	<u>2,973,133</u>	<u>3,438,631</u>
Total revenue	<u>43,118,466</u>	<u>42,397,964</u>	<u>39,064,606</u>
Salaries	17,499,425	17,940,327	16,418,598
Supplies and expenses	21,271,819	20,966,262	19,115,556
Provision for depreciation	<u>3,883,430</u>	<u>3,628,044</u>	<u>3,073,417</u>
Total operating expenses	<u>42,654,674</u>	<u>42,534,633</u>	<u>38,607,571</u>
Operating income (loss)	<u>463,792</u>	<u>(136,669)</u>	<u>457,035</u>
County taxes	1,152,000	1,152,000	1,152,000
Investment income	103,703	50,882	117,081
Interest and amortization expense	(653,527)	(733,335)	(444,558)
Unrestricted contributions	10,465	19,755	4,892
Loss on disposal of assets	-	297	(8,137)
Total nonoperating gains	<u>612,641</u>	<u>489,599</u>	<u>821,278</u>
Excess of revenues over expenses before other changes in net position	1,076,433	352,930	1,278,313
Restricted contributions	6,500	67,779	19,565
Insurance proceeds in excess of casualty loss	-	-	<u>2,694,087</u>
Change in net position	<u>1,082,933</u>	<u>420,709</u>	<u>3,991,965</u>
Total net position, beginning	<u>39,465,529</u>	<u>39,044,820</u>	<u>35,378,087</u>
Total net position, ending	<u>\$40,548,462</u>	<u>\$39,465,529</u>	<u>\$39,370,052</u>

### **Operating and Financial Performance**

The following summarizes the Medical Center's statements of revenues, expenses and changes in net position between June 30, 2014 and 2013.

**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 2014 were 725 compared to 689 in fiscal year 2013. Average length of stay decreased as medical, surgical and obstetrical patient days increased to 2,108 from 2,105 in 2013. Swing bed discharges for fiscal year 2014 were 95 compared to 75 in fiscal year 2013. Average length of stay decreased as swing bed patient days increased to 605 from 526 in 2013. Volume on the outpatient side increased in 2014. In 2014, gross outpatient charges increased to \$59,904,111 compared to \$57,542,979 in 2013.

**Price Increase:** As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2014. Overall, gross patient service revenue increased to \$73,955,760 from \$67,829,771 in 2013. Operating room, central services and supply, emergency room and radiation therapy reflected the most significant increases in 2014.

**Payor Mix:** The Medical Center is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. Contractual adjustments and bad debts increased to \$34,086,437 in 2014 from \$28,404,940 in 2013. This represents 46% and 42% of gross patient charges for 2014 and 2013, 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>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	42%	42%	43%
Medicaid	10	9	11
Commercial insurance	46	46	42
Patients	<u>2</u>	<u>3</u>	<u>4</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Other Revenue**

Other revenue increased to \$3,249,143 in 2014 compared to \$2,973,133 in 2013 primarily due to an increase in contract pharmacy income received in 2014.

**Expenses**

Approximately 41% of the Medical Center's expenses are for salaries. Total salaries decreased by 2% to \$17,499,425 in 2014 from \$17,940,327 in 2013. The Medical Center departments experiencing the most significant decrease in 2014 included hospice, Surgical Specialists Clinic, and administrative.

Approximately 50% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses increased by 1.5% to \$21,271,819 in 2014 from \$20,966,262 in 2013. The Medical Center departments experiencing the most significant increases in 2014 included central services and supply, radiation therapy, pharmacy and Surgical Specialists Clinic.

Approximately 9% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to \$3,883,430 in 2014 from \$3,628,044 in 2013.

**Nonoperating Gains (Losses)**

Nonoperating gains (losses) increased to \$612,641 in 2014 from \$489,599 in 2013, primarily due to increased interest income and decreased interest and amortization expense.

## **Property and Equipment**

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

**Table 4**  
**Property and Equipment**

	<b>June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Land	\$ 184,265	\$ 168,265	\$ 167,137
Land improvements	3,179,716	3,166,716	3,189,497
Building and improvements	36,854,047	36,845,162	36,588,939
Fixed equipment	12,223,299	12,159,924	12,153,291
Major movable equipment	13,774,424	11,162,808	11,263,886
Crestridge Estates	3,419,526	3,419,526	3,363,382
Construction in progress	<u>80,040</u>	<u>262,780</u>	<u>158,852</u>
Subtotal	69,715,317	67,185,181	66,884,984
Less accumulated depreciation	<u>(30,262,674)</u>	<u>(26,853,486)</u>	<u>(23,997,094)</u>
Net property and equipment	<u>\$39,452,643</u>	<u>\$40,331,695</u>	<u>\$42,887,890</u>

At the end of 2014, the Medical Center had \$39,452,643 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 2014, \$3,004,378 was spent to acquire property and equipment. Construction in progress at year end consists of equipment installations in progress.

## **Debt Administration**

At year end, the Medical Center had \$16,472,462 in current and long-term debt related to Medical Center Revenue Bonds, a decrease of \$1,063,680 from 2013. This decrease is the result of the required payments made on the outstanding bonds. More detailed information about the Medical Center's outstanding debt is presented in the Notes to Financial Statements. Note that the Bonds represent approximately 75% of the Medical Center's total liabilities as of year end.

## **Performance Compared to County Hospital Budget**

The Medical Center prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP basis are presented in the Notes to Financial Statements. A comparison of the Medical Center's fiscal year 2014 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5**  
**Actual vs County Hospital Budget**

	<b><u>Actual budget basis</u></b>	<b><u>Annual County Hospital budget</u></b>	<b><u>Variance</u></b>
Amount to be raised by taxation	\$ 1,152,000	\$ 1,094,110	\$ 57,890
Other revenues/receipts	<u>43,222,169</u>	<u>44,784,278</u>	<u>(1,562,109)</u>
	44,374,169	45,878,388	(1,504,219)
Expenses/expenditures	<u>43,492,829</u>	<u>45,687,955</u>	<u>(2,195,126)</u>
Net	\$ <u>881,340</u>	\$ <u>190,433</u>	\$ <u>690,907</u>

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

## **Economic and Other Factors and Next Year's Budget**

The Medical Center's board and management considered many factors when setting the fiscal year 2015 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, 2014 and 2013**

<b>ASSETS</b>	<b>Greater Regional Medical Center</b>		<b>Greater Regional Healthcare Foundation</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$10,340,631	\$ 9,879,453	\$ 291,168	\$ 140,929
Investments	-	-	456,056	301,768
Patient receivables, less allowances for contractual adjustments and bad debts	5,250,852	5,989,578	-	-
Other receivables	110,472	22,323	-	-
Contributions receivable	-	-	114,266	29,662
Inventories	1,054,752	976,911	-	-
Prepaid expenses	408,424	502,454	-	-
Succeeding year property tax receivable	<u>1,090,000</u>	<u>1,090,000</u>	<u>-</u>	<u>-</u>
Total current assets	<u>18,255,131</u>	<u>18,460,719</u>	<u>861,490</u>	<u>472,359</u>
<b>ASSETS WHOSE USE IS LIMITED</b>				
Designated by board for plant replacement and expansion				
Cash and cash equivalents	<u>3,958,004</u>	<u>2,854,826</u>	<u>-</u>	<u>-</u>
Restricted for payment of long-term debt and interest				
Cash, debt service reserve fund	<u>701,929</u>	<u>524,629</u>	<u>-</u>	<u>-</u>
Total assets whose use is limited	<u>4,659,933</u>	<u>3,379,455</u>	<u>-</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT</b>				
	69,715,317	67,185,181	45,500	-
Less accumulated depreciation	<u>30,262,674</u>	<u>26,853,486</u>	<u>-</u>	<u>-</u>
Total property and equipment	<u>39,452,643</u>	<u>40,331,695</u>	<u>45,500</u>	<u>-</u>
 Totals	 <u>\$62,367,707</u>	 <u>\$62,171,869</u>	 <u>\$ 906,990</u>	 <u>\$ 472,359</u>

LIABILITIES AND NET POSITION	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2014	2013	2014	2013
<b>CURRENT LIABILITIES</b>				
Current maturities of long-term debt	\$ 1,085,814	\$ 1,063,678	\$ -	\$ -
Accounts payable	1,373,463	1,216,345	-	-
Accrued employee compensation	1,600,215	1,761,884	-	-
Payroll taxes and amounts withheld from employees	196,245	274,191	-	-
Accrued interest	68,560	72,278	-	-
Estimated third-party payor settlements	930,000	635,000	-	-
Deferred incentive revenue	-	33,500	-	-
Deferred revenue for succeeding year property tax receivable	<u>1,090,000</u>	<u>1,090,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>6,344,297</u>	<u>6,146,876</u>	<u>-</u>	<u>-</u>
<b>LONG-TERM LIABILITIES</b>				
Long-term debt, less current maturities	15,386,648	16,472,464	-	-
Net OPEB liability	<u>88,300</u>	<u>87,000</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>15,474,948</u>	<u>16,559,464</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	22,980,181	22,795,553	45,500	-
Restricted	-	-	350,000	-
Unrestricted	<u>17,568,281</u>	<u>16,669,976</u>	<u>511,490</u>	<u>472,359</u>
Total net position	<u>40,548,462</u>	<u>39,465,529</u>	<u>906,990</u>	<u>472,359</u>
Totals	<u>\$62,367,707</u>	<u>\$62,171,869</u>	<u>\$ 906,990</u>	<u>\$ 472,359</u>

**Greater Regional Medical Center**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Year ended June 30, 2014 and 2013

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2014 \$1,480,000; 2013 \$1,835,016	\$39,869,323	\$39,424,831	\$ -	\$ -
<b>OTHER REVENUE</b>	<u>3,249,143</u>	<u>2,973,133</u>	<u>18,695</u>	<u>19,980</u>
Total revenue	<u>43,118,466</u>	<u>42,397,964</u>	<u>18,695</u>	<u>19,980</u>
<b>OPERATING EXPENSES</b>				
Nursing service	9,260,683	9,131,572	-	-
Other professional service	16,630,246	16,244,777	-	-
General service	2,681,196	2,791,178	-	-
Fiscal and administrative service and unassigned expenses	10,199,119	10,739,062	53,140	101,832
Provision for depreciation	<u>3,883,430</u>	<u>3,628,044</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>42,654,674</u>	<u>42,534,633</u>	<u>53,140</u>	<u>101,832</u>
Operating income (loss)	<u>463,792</u>	<u>(136,669)</u>	<u>(34,445)</u>	<u>(81,852)</u>
<b>NONOPERATING GAINS (LOSSES)</b>				
County taxes	1,152,000	1,152,000	-	-
Interest income	103,703	50,882	1,028	391
Unrealized gain on investments	-	-	54,288	41,081
Interest and amortization expense	(653,527)	(733,335)	-	-
Unrestricted contributions	10,465	19,755	63,760	78,453
Other	<u>-</u>	<u>297</u>	<u>-</u>	<u>-</u>
Total nonoperating gains (losses)	<u>612,641</u>	<u>489,599</u>	<u>119,076</u>	<u>119,925</u>
Excess of revenues over expenses before other changes in net position	1,076,433	352,930	84,631	38,073
Restricted contributions	<u>6,500</u>	<u>67,779</u>	<u>350,000</u>	<u>-</u>
Change in net position	1,082,933	420,709	434,631	38,073
<b>TOTAL NET POSITION</b>				
Beginning	<u>39,465,529</u>	<u>39,044,820</u>	<u>472,359</u>	<u>434,286</u>
Ending	<u>\$40,548,462</u>	<u>\$39,465,529</u>	<u>\$ 906,990</u>	<u>\$ 472,359</u>

See Notes to Financial Statements.

**Greater Regional Medical Center**  
**STATEMENTS OF CASH FLOWS**  
Year ended June 30, 2014 and 2013

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from patients and third-party payors	\$40,903,049	\$38,675,154	\$ –	\$ –
Cash paid to suppliers for goods and services	(21,244,607)	(20,419,473)	(53,140)	(101,832)
Cash paid to employees for services	(17,679,794)	(17,861,589)	–	–
Other operating revenue received	<u>3,215,643</u>	<u>2,939,633</u>	<u>18,695</u>	<u>19,980</u>
Net cash provided by (used in) operating activities	<u>5,194,291</u>	<u>3,333,725</u>	<u>(34,445)</u>	<u>(81,852)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
County taxes received	1,152,000	1,152,000	–	–
Contributions received	<u>10,465</u>	<u>19,755</u>	<u>283,656</u>	<u>80,788</u>
Net cash provided by noncapital financing activities	<u>1,162,465</u>	<u>1,171,755</u>	<u>283,656</u>	<u>80,788</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property and equipment	(3,004,378)	(2,878,854)	–	–
Payments for financing costs	–	(57,411)	–	–
Proceeds from issuance of long-term debt	–	3,915,000	–	–
Principal payments on long-term debt	(1,063,680)	(4,823,760)	–	–
Interest paid on long-term debt	(657,245)	(714,192)	–	–
Contributions received	<u>6,500</u>	<u>67,779</u>	<u>–</u>	<u>–</u>
Net cash (used in) capital and related financing activities	<u>(4,718,803)</u>	<u>(4,491,438)</u>	<u>–</u>	<u>–</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	103,703	50,882	1,028	391
Purchase of investments	–	–	(100,000)	–
Proceeds from maturities of investments	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,418</u>
Net cash provided by (used in) investing activities	<u>103,703</u>	<u>50,882</u>	<u>(98,972)</u>	<u>2,809</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,741,656	64,924	150,239	1,745
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning	<u>13,258,908</u>	<u>13,193,984</u>	<u>140,929</u>	<u>139,184</u>
Ending	<u>\$15,000,564</u>	<u>\$13,258,908</u>	<u>\$ 291,168</u>	<u>\$ 140,929</u>

See Notes to Financial Statements.

**Greater Regional Medical Center**  
**STATEMENTS OF CASH FLOWS (continued)**  
Year ended June 30, 2014 and 2013

	<u>Greater Regional Medical Center</u>		<u>Greater Regional Healthcare Foundation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 463,792	\$ (136,669)	\$ (34,445)	\$ (81,852)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	3,883,430	3,628,044	—	—
Changes in assets and liabilities				
Patient receivables	738,726	(1,514,677)	—	—
Other receivables	(88,149)	30,735	—	—
Inventories	(77,841)	99,948	—	—
Prepaid expenses	94,030	148,454	—	—
Accounts payable	157,118	240,785	—	—
Accrued employee compensation	(180,369)	78,738	—	—
Payroll taxes and amounts withheld from employees	(77,946)	22,767	—	—
Net estimated third-party payor settlements	295,000	765,000	—	—
Deferred incentive revenue	(33,500)	(33,500)	—	—
Other long-term liability	<u>20,000</u>	<u>4,100</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) operating activities	<u>\$ 5,194,291</u>	<u>\$ 3,333,725</u>	<u>\$ (34,445)</u>	<u>\$ (81,852)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>				
Cash and cash equivalents per balance sheet				
Current assets	\$10,340,631	\$ 9,879,453	\$ 291,168	\$ 140,929
Assets whose use is limited				
Designated by board for plant replacement and expansion	3,958,004	2,854,826	—	—
Restricted for payment of long-term debt and interest	<u>701,929</u>	<u>524,629</u>	<u>—</u>	<u>—</u>
Total per statement of cash flows	<u>\$15,000,564</u>	<u>\$13,258,908</u>	<u>\$ 291,168</u>	<u>\$ 140,929</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.

**New Accounting Standard Adopted**

During fiscal year 2014, the Medical Center adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources, expenses, or inflows of resources, revenues. The adoption of this Statement results in a restatement of net position as of July 1, 2012.

**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 all certificates of deposits.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Inventories**

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

**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.

**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.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 debt related 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. The Foundation has net assets restricted for support of hospice services.

**Unrestricted**

Unrestricted net position has no externally imposed restrictions on use.

**Charity Care**

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

**Net Patient Service Revenue**

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

**Revenues, Expenses and Changes in 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.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restatement**

Due to the Medical Center's adoption of Governmental Accounting Standards Board Statement No. 65, net position was restated at July 1, 2012. With the adoption of this Standard, the Medical Center is expensing unamortized financing costs and they are no longer amortized annually. The following is a reconciliation of net position previously reported at July 1, 2012, to the restated net position at July 1, 2012.

Net position at July 1, 2012, as previously reported	\$39,370,052
Adjustment, adoption of Statement No. 65	<u>(325,232)</u>
Net position at July 2012, as restated for Statement No. 65	<u>\$39,044,820</u>

**Reclassifications**

Certain amounts have been reclassified in the 2013 financial statements in order to conform with the 2014 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.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Medical Center's deposits at June 30, 2014 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.

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

**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>2014</u>	<u>2013</u>
Medicare	\$ 2,978,935	\$ 3,515,733
Medicaid	1,102,142	435,023
Commercial insurance	3,625,001	4,304,644
Patients	<u>1,823,774</u>	<u>2,117,178</u>
Total patient receivables	9,529,852	10,372,578
Less allowances for contractual adjustments and bad debts	<u>(4,279,000)</u>	<u>(4,383,000)</u>
Net patient receivables	<u>\$ 5,250,852</u>	<u>\$ 5,989,578</u>

The Foundation conducts ongoing campaigns to provide support for the operations of the Foundation. Contributions receivable are as follows:

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Contributions receivable	\$ 114,266	\$ 29,662
Less allowance for uncollectible amounts	<u>—</u>	<u>—</u>
Net contributions receivable	<u>\$ 114,266</u>	<u>\$ 29,662</u>

The contributions receivable are due as follows:

Less than one year	\$ 99,266	\$ 14,662
One to five years	<u>15,000</u>	<u>15,000</u>
Total contributions receivable	<u>\$ 114,266</u>	<u>\$ 29,662</u>

**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 Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediary. The Medical Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.

**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.

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

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 184,265	\$ -	\$ 168,265	\$ -
Land improvements	3,179,716	2,243,716	3,166,716	1,830,164
Building and improvements	36,854,047	11,957,736	36,845,162	10,613,283
Fixed equipment	12,223,299	5,752,310	12,159,924	4,985,224
Major movable equipment	13,774,424	8,719,789	11,162,808	7,985,166
Crestridge Estates	3,419,526	1,589,123	3,419,526	1,439,649
Construction in progress	<u>80,040</u>	<u>-</u>	<u>262,780</u>	<u>-</u>
Totals	<u>\$69,715,317</u>	<u>\$30,262,674</u>	<u>\$67,185,181</u>	<u>\$26,853,486</u>

At June 30, 2014 construction in progress consists primarily of equipment installations in process.

A summary of changes in property and equipment for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 168,265	\$ 16,000	\$ -	\$ -	\$ 184,265
Land improvements	3,166,716	13,000	-	-	3,179,716
Building and improvements	36,845,162	8,885	-	-	36,854,047
Fixed equipment	12,159,924	88,112	24,737	-	12,223,299
Major movable equipment	11,162,808	2,815,065	449,505	246,056	13,774,424
Crestridge Estates	3,419,526	-	-	-	3,419,526
Construction in progress	<u>262,780</u>	<u>63,316</u>	<u>-</u>	<u>(246,056)</u>	<u>80,040</u>
Totals	67,185,181	3,004,378	474,242	-	69,715,317
Less accumulated depreciation	<u>(26,853,486)</u>	<u>(3,883,430)</u>	<u>(474,242)</u>	<u>-</u>	<u>(30,262,674)</u>
Net property and equipment	<u>\$40,331,695</u>	<u>\$ (879,052)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$39,452,643</u>

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>

During the fiscal year ended June 30, 2014, the Foundation received donated art work with an estimated value of \$45,500. The art work is recorded as property and equipment and is not being depreciated.

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

**NOTE 6 LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Medical Center Revenue Refunding Bonds, Series 2012	\$ 3,550,000	\$ 3,790,000
Medical Center Revenue Refunding Bonds, Series 2011	3,760,000	4,240,000
Medical Center Revenue Bond, Series 2010	<u>9,162,462</u>	<u>9,506,142</u>
Total	16,472,462	17,536,142
Less current maturities	<u>1,085,814</u>	<u>1,063,678</u>
Long-term debt, net of current maturities	<u>\$15,386,648</u>	<u>\$16,472,464</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 1.2% to 4.6%. At June 30, 2014, the remaining balance on these Bonds is \$3,550,000. 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 2.3% to 4.25%. At June 30, 2014, the remaining balance on these Bonds is \$3,760,000. 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 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 30<sup>th</sup> and December 31<sup>st</sup> 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, 2014 the remaining balance on this bond is \$9,162,462. 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.

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

**NOTE 6 LONG-TERM DEBT (continued)**

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, 2014 the remaining principal and interest on the Bonds was \$21,945,778. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2014 and 2013:

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Change in net position	\$1,082,933	\$ 420,709
Provision for depreciation	3,883,430	3,628,044
Interest expense on the Bonds	<u>653,527</u>	<u>676,803</u>
 Pledged net revenues	 <u>\$5,619,890</u>	 <u>\$4,725,556</u>
 Principal and interest requirements on the Bonds	 <u>\$1,717,505</u>	 <u>\$1,721,643</u>

Maturities required on long-term debt are as follows:

<b>Year ending June 30</b>	<b>Revenue Refunding Bonds Series 2012</b>	<b>Revenue Refunding Bonds Series 2011</b>	<b>Revenue Bond Series 2010</b>	<b>Total principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 240,000	\$ 485,000	\$ 360,814	\$ 1,085,814	\$ 631,690	\$ 1,717,504
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	265,000	545,000	428,217	1,238,217	485,464	1,723,681
2020 to 2024	1,295,000	1,200,000	2,428,609	4,923,609	1,739,628	6,663,237
2025 to 2029	990,000	-	3,002,077	3,992,077	811,355	4,803,432
2030 to 2032	-	-	1,764,001	1,764,001	108,719	1,872,720
Totals	<u>3,550,000</u>	<u>3,760,000</u>	<u>9,162,462</u>	<u>16,472,462</u>	<u>5,473,316</u>	<u>21,945,778</u>
Less current maturities	<u>240,000</u>	<u>485,000</u>	<u>360,814</u>	<u>1,085,814</u>	<u>631,690</u>	<u>1,717,504</u>
 Total long-term debt	 <u>\$3,310,000</u>	 <u>\$3,275,000</u>	 <u>\$8,801,648</u>	 <u>\$15,386,648</u>	 <u>\$4,841,626</u>	 <u>\$20,228,274</u>

A summary of changes in long-term debt for the year ended June 30, 2014 follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Principal payments</b>	<b>Ending balance</b>
Medical Center Revenue Refunding Bonds, Series 2012	\$ 3,790,000	\$ -	\$ 240,000	\$ 3,550,000
Medical Center Revenue Refunding Bonds, Series 2011	4,240,000	-	480,000	3,760,000
Medical Center Revenue Bond, Series 2010	<u>9,506,142</u>	<u>-</u>	<u>343,680</u>	<u>9,162,462</u>
 Totals	 <u>\$17,536,142</u>	 <u>\$ -</u>	 <u>\$1,063,680</u>	 <u>\$16,472,462</u>

**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>
Medical Center Revenue Refunding Bonds, Series 2012	\$ —	\$3,915,000	\$ 125,000	\$ 3,790,000
Medical Center Revenue Refunding Bonds, Series 2011	4,710,000	—	470,000	4,240,000
Medical Center Revenue Bond, Series 2010	9,838,801	—	332,659	9,506,142
Medical Center Revenue Bond, Series 2008	<u>3,896,101</u>	<u>—</u>	<u>3,896,101</u>	<u>—</u>
Totals	<u>\$18,444,902</u>	<u>\$3,915,000</u>	<u>\$4,823,760</u>	<u>\$17,536,142</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, 2014 regular plan members were required to contribute 5.95% of their annual salary and the Medical Center is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,343,500, \$1,419,000 and \$1,271,465, 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, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Charges foregone, based on established rates	\$ <u>343,735</u>	\$ <u>350,246</u>
Equivalent percentage of charity care patients to all patients served	<u>0.5%</u>	<u>0.5%</u>

**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.

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

**NOTE 9 MALPRACTICE CLAIMS (continued)**

Incidents occurring through June 30, 2014 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 Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily prescribed procedures. The Medical Center prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that depreciation is not recorded as an expenditure on the County Hospital budget basis and capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis.

The following is a comparison of reported amounts to the 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	\$ 1,094,110
Other revenues/receipts	<u>42,585,607</u>	<u>636,562</u>	<u>43,222,169</u>	<u>44,784,278</u>
	43,737,607	636,562	44,374,169	45,878,388
Expenses/expenditures	<u>42,654,674</u>	<u>838,155</u>	<u>43,492,829</u>	<u>45,687,955</u>
Net	1,082,933	(201,593)	881,340	190,433
Balance, beginning	<u>39,465,529</u>	<u>(21,600,288)</u>	<u>17,865,241</u>	<u>38,889,085</u>
Balance, ending	<u>\$40,548,462</u>	<u>\$(21,801,881)</u>	<u>\$18,746,581</u>	<u>\$39,079,518</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, 2014 and 2013 were \$3,155,447 and \$3,356,029, 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:

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Annual required contribution, ARC	\$ 31,900	\$ 31,900
Interest on net OPEB obligation	3,500	3,300
Adjustment to annual required contribution	<u>(4,800)</u>	<u>(4,800)</u>
Annual OPEB cost	30,600	30,400
Contributions made	<u>29,300</u>	<u>26,300</u>
Increase in net OPEB obligation	1,300	4,100
Net OPEB obligation, beginning of year	<u>87,000</u>	<u>82,900</u>
Net OPEB obligation, end of year	<u>\$ 88,300</u>	<u>\$ 87,000</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, 2013.

For the year ended June 30, 2014, the Medical Center contributed \$29,300 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, 2014 and 2013 are summarized as follows:

<b>Fiscal year ended</b>	<b>Annual OPEB cost</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
June 30, 2014	\$ <u>30,600</u>	<u>96%</u>	\$ <u>88,300</u>
June 30, 2013	\$ <u>30,400</u>	<u>87%</u>	\$ <u>87,000</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, 2014, 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.

**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%
2014	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, 2014 and 2013, and have issued our report thereon dated September 15, 2014, 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 15, 2014

**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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
0 – 30 days (includes patients in Medical Center at end of year)	\$ 5,514,275	\$ 5,526,408	57.86%	53.28%
31 – 60 days	1,752,700	2,160,512	18.39	20.83
61 – 90 days	625,960	1,053,322	6.57	10.15
91 – 120 days	420,917	528,579	4.42	5.10
Over 120 days	<u>1,216,000</u>	<u>1,103,757</u>	<u>12.76</u>	<u>10.64</u>
Totals	<u>9,529,852</u>	<u>10,372,578</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	1,303,000	1,465,000		
Medicaid	484,000	151,000		
Other	1,362,000	1,513,000		
Bad debts	<u>1,130,000</u>	<u>1,254,000</u>		
Total allowances	<u>4,279,000</u>	<u>4,383,000</u>		
Totals	<u>\$ 5,250,852</u>	<u>\$ 5,989,578</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 109,231</u>	<u>\$ 108,013</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES</b>	<u>48</u>	<u>55</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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>BALANCE</b> , beginning	\$1,254,000	\$1,325,000		
<b>ADD</b>				
Provision for bad debts	1,480,000	1,835,016	3.71%	4.43%
Recoveries of accounts previously written off	<u>602,510</u>	<u>674,496</u>	1.51	1.71
	3,336,510	3,834,512		
<b>DEDUCT</b>				
Accounts written off	<u>2,206,510</u>	<u>2,580,512</u>	5.53	6.55
<b>BALANCE</b> , ending	<u>\$1,130,000</u>	<u>\$1,254,000</u>		

**Greater Regional Medical Center**  
**PATIENT SERVICE REVENUE**  
Year ended June 30, 2014, with comparative totals for 2013

	<b>2014</b>			<b>2013</b>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical, surgical and obstetrical	\$ 2,298,174	\$ 206,126	\$ 2,504,300	\$ 2,262,480
Special care	63,602	-	63,602	66,790
Swing bed	433,307	-	433,307	346,966
Nursery	<u>336,859</u>	<u>-</u>	<u>336,859</u>	<u>314,240</u>
	<u>3,131,942</u>	<u>206,126</u>	<u>3,338,068</u>	<u>2,990,476</u>
<b>OTHER NURSING SERVICES</b>				
Observation room	-	651,886	651,886	900,076
Operating room	3,465,967	8,715,614	12,181,581	10,282,722
Recovery room	829,254	2,073,580	2,902,834	2,345,640
Delivery and labor rooms	347,005	-	347,005	347,006
Central services and supply	1,539,545	939,380	2,478,925	1,423,444
Emergency room	41,894	5,942,957	5,984,851	4,864,300
Ambulance	-	1,321,155	1,321,155	1,147,874
Home health services	-	-	-	3,070
Outreach services	-	223,175	223,175	250,795
Hospice	<u>-</u>	<u>775,619</u>	<u>775,619</u>	<u>1,620,840</u>
	<u>6,223,665</u>	<u>20,643,366</u>	<u>26,867,031</u>	<u>23,185,767</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory and blood service	644,865	4,982,208	5,627,073	5,467,356
Electrocardiology	7,026	120,950	127,976	116,475
Cardiology and vascular testing	65,232	522,947	588,179	619,180
Radiology and ultrasound	142,795	3,806,899	3,949,694	3,830,249
Radiation therapy	2,704	4,775,619	4,778,323	3,654,232
Nuclear medicine	8,628	584,910	593,538	503,708
CT scans	209,988	4,681,280	4,891,268	4,523,380
Magnetic resonance imaging	58,893	2,787,973	2,846,866	3,134,758
Pharmacy and intravenous therapy	1,131,337	5,984,546	7,115,883	7,355,542
Anesthesiology	573,492	1,110,055	1,683,547	1,359,458
Respiratory therapy	324,010	515,560	839,570	779,285
Rehabilitation therapy	428,283	1,261,857	1,690,140	1,653,126
Cardiac rehabilitation	1,647	277,700	279,347	229,261
Outpatient clinics and chemotherapy	2,104	862,455	864,559	891,862
Diabetic education	-	21,292	21,292	26,504
Lenox clinic	-	400,471	400,471	374,743
Greater Regional Medical Clinic	526,922	3,901,082	4,428,004	4,575,874
Surgical Specialists Clinic	<u>911,851</u>	<u>2,456,815</u>	<u>3,368,666</u>	<u>2,908,781</u>
	<u>5,039,777</u>	<u>39,054,619</u>	<u>44,094,396</u>	<u>42,003,774</u>
Totals	<u>\$14,395,384</u>	<u>\$59,904,111</u>	74,299,495	68,180,017
Charity care charges foregone, based on established rates			<u>(343,735)</u>	<u>(350,246)</u>
Total gross patient service revenue			73,955,760	67,829,771
Provisions for contractual adjustments and bad debts			<u>(34,086,437)</u>	<u>(28,404,940)</u>
Total net patient service revenue			<u>\$39,869,323</u>	<u>\$39,424,831</u>

**Greater Regional Medical Center**  
**PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	<u>Year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Contractual adjustments		
Medicare	\$15,181,409	\$12,477,647
Medicaid	3,757,232	2,319,604
Other adjustments	13,667,796	11,772,673
Provision for bad debts	<u>1,480,000</u>	<u>1,835,016</u>
 Totals	 <u>\$34,086,437</u>	 <u>\$28,404,940</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Business interruption insurance income	\$ -	\$ 150,391
Rental income		
Crestridge Estates	602,773	618,470
Other	302,983	301,373
Electronic medical records incentive revenue	281,280	492,296
Pharmacy revenue		
Employees	159,967	174,969
340B contract	1,649,312	939,787
Cafeteria sales	188,256	203,267
Sale of supplies and miscellaneous services to employees and others	10,635	25,837
Wellness	4,319	5,580
Miscellaneous	<u>49,618</u>	<u>61,163</u>
 Totals	 <u>\$3,249,143</u>	 <u>\$2,973,133</u>

**Greater Regional Medical Center**  
**EXPENSES**  
Year ended June 30, 2014, with comparative totals for 2013

	<u>2014</u>			<u>2013</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>NURSING SERVICE</b>				
Nursing administration	\$ 283,737	\$ 33,689	\$ 317,426	\$ 153,067
Medical and surgical	1,622,464	154,588	1,777,052	1,691,956
Special care	36,664	1,345	38,009	38,600
Obstetric nursing, delivery and labor rooms	429,729	57,643	487,372	509,723
Operating and recovery rooms	1,395,434	974,664	2,370,098	2,231,779
Central services and supply	-	692,597	692,597	429,736
Emergency room	914,778	1,470,192	2,384,970	2,342,723
Ambulance	103,783	55,545	159,328	169,526
Outreach services	128,159	90,463	218,622	232,568
Hospice	<u>578,450</u>	<u>236,759</u>	<u>815,209</u>	<u>1,331,894</u>
Total nursing service	<u>5,493,198</u>	<u>3,767,485</u>	<u>9,260,683</u>	<u>9,131,572</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory	551,134	729,148	1,280,282	1,340,983
Pathology	-	84,838	84,838	97,889
Blood service	-	95,804	95,804	124,557
Cardiology and vascular testing	-	10,744	10,744	13,196
Radiology and ultrasound	622,740	376,632	999,372	1,088,359
Radiation therapy	164,870	1,175,583	1,340,453	1,177,582
Nuclear medicine	-	103,026	103,026	79,243
CT scans	-	155,328	155,328	250,262
Magnetic resonance imaging	61,058	565,046	626,104	582,907
Pharmacy	479,003	2,944,302	3,423,305	3,115,171
Intravenous therapy	-	1,600	1,600	11,980
Anesthesiology	-	17,371	17,371	15,991
Respiratory therapy	216,015	114,035	330,050	296,201
Rehabilitation therapy	542,998	122,022	665,020	679,961
Cardiac rehabilitation	66,508	28,565	95,073	96,563
Outpatient clinics and chemotherapy	309,189	151,011	460,200	298,441
Diabetic education	28,025	2,322	30,347	50,862
Bunn clinic	3,886	1,202	5,088	8,090
Lenox clinic	175,737	70,993	246,730	313,604
Crestridge Estates	73,208	241,162	314,370	303,474
Greater Regional Medical Clinic	2,446,463	472,367	2,918,830	2,964,313
Surgical Specialists Clinic	2,370,455	490,735	2,861,190	2,733,662
Social services	-	-	-	88
Health information services	<u>495,972</u>	<u>69,149</u>	<u>565,121</u>	<u>601,398</u>
Total other professional service	<u>8,607,261</u>	<u>8,022,985</u>	<u>16,630,246</u>	<u>16,244,777</u>

**Greater Regional Medical Center**  
**EXPENSES (continued)**  
Year ended June 30, 2014, with comparative totals for 2013

	<u>2014</u>			<u>2013</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>GENERAL SERVICE</b>				
Dietary	\$ 626,483	\$ 171,317	\$ 797,800	\$ 866,423
Plant operation	275,143	1,122,892	1,398,035	1,405,843
Housekeeping	358,120	82,097	440,217	466,345
Laundry	29,810	14,719	44,529	52,098
Linen	—	615	615	469
Total general service	<u>1,289,556</u>	<u>1,391,640</u>	<u>2,681,196</u>	<u>2,791,178</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>				
Administrative	424,261	128,669	552,930	737,180
Accounting	276,151	18,058	294,209	302,451
Human resources	205,730	108,330	314,060	255,576
Business office	634,362	89,281	723,643	799,856
Purchasing	147,602	43,498	191,100	244,298
Computer support	333,533	343,413	676,946	636,995
Public relations	9,028	124,118	133,146	180,744
Telephone	—	31,167	31,167	35,770
Professional fees	—	133,469	133,469	155,904
Collection fees	—	147,987	147,987	155,468
Receivables management fee	—	116,854	116,854	149,304
Dues and subscriptions	—	38,949	38,949	38,021
Travel and mileage	—	2,101	2,101	1,673
Publication fees	—	2,830	2,830	4,683
Physician recruitment	—	12,000	12,000	54,841
<b>UNASSIGNED EXPENSES</b>				
Wellness	57,490	22,861	80,351	91,072
Volunteer services	21,253	11,447	32,700	31,186
FICA	—	1,127,863	1,127,863	1,168,454
IPERS	—	1,343,500	1,343,500	1,419,000
Group health and life insurance	—	3,741,862	3,741,862	3,882,377
Workers' compensation insurance	—	292,716	292,716	218,632
Insurance	—	208,736	208,736	175,577
Total fiscal and administrative service and unassigned expenses	<u>2,109,410</u>	<u>8,089,709</u>	<u>10,199,119</u>	<u>10,739,062</u>
<b>PROVISION FOR DEPRECIATION</b>				
	<u>—</u>	<u>3,883,430</u>	<u>3,883,430</u>	<u>3,628,044</u>
Total expenses	<u>\$17,499,425</u>	<u>\$25,155,249</u>	<u>\$42,654,674</u>	<u>\$42,534,633</u>

**Greater Regional Medical Center  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>PATIENT DAYS</b>		
Medical, surgical and obstetrical	2,108	2,105
Swing bed	605	526
Nursery	346	340
Totals	3,059	2,971
 <b>DISCHARGES</b>		
Medical, surgical and obstetrical	725	689
Swing bed	95	75
Nursery	176	169
Totals	996	933
 <b>AVERAGE LENGTH OF STAY</b>		
Medical, surgical and obstetrical	2.91	3.06
Swing bed	6.37	7.01
Nursery	1.97	2.01

**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, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2014.

**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, 2014 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 15, 2014

**Greater Regional Medical Center  
SCHEDULE OF FINDINGS  
Year ended June 30, 2014**

**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, 2014**

**Part II—Findings Related to Required Statutory Reporting**

**14-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, 2014.

**14-II-B QUESTIONABLE EXPENDITURES**

No questionable expenditures of Medical Center funds were noted.

**14-II-C TRAVEL EXPENSES**

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

**14-II-D BUSINESS TRANSACTIONS**

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

**14-II-E BOARD MINUTES**

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

**14-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.