Greater Regional Medical Center
Creston, Iowa

FINANCIAL REPORT

June 30, 2015

T A B L E O F C O N T E N T S

Greater Regional Medical Center
OFFICIALS
June 30, 2015

BOARD OF TRUSTEES

	Expiration of term
Officers	
Dave Driskell, Chair	December 31, 2018
Jack Davis, Vice Chair	December 31, 2018
Sherry McKie, Secretary	December 31, 2020
Tom Dunphy, Treasurer	December 31, 2016
Members	
Carolyn Dillenburg	December 31, 2020
Tom Lesan	December 31, 2016
Dennis Nelson	December 31, 2018

CHIEF EXECUTIVE OFFICER

Monte Neitzel

CHIEF FINANCIAL OFFICER

Matt McCutchan

DENMAN
& COMPANY, LLP

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Medical Center adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

1601 22nd Street, Suite 400 ■ West Des Moines, Iowa 50266 ■ Phone 515.225.8400 ■ Fax 515.225.0149 ■ denman-cpa.com

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, 2015 and 2014, 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, the schedule of comparative budgetary reporting, the schedule of funding progress for the retiree health plan, the schedule of the Medical Center's proportionate share of the net position liability, and the schedule of Medical Center pension contributions on pages 6-11 and 32-37 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 October 12, 2015 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
October 12, 2015

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, 2015 and 2014. 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 statement of net position includes the Medical Center's assets, liabilities, deferred outflows and deferred inflows 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 $2,646,467, or 4%, to $65,014,174
- Total noncurrent assets whose use is limited increased by $1,465,296 to $6,125,229
- Total capital assets decreased by $503,134 to $38,949,509
- Total net position increased by $3,274,581 to $31,531,611
- Total current and long-term debt decreased by $1,085,814 to $15,386,648
- Net patient service revenue increased by $1,912,072, or 5%, to $41,781,395
- Operating expenses decreased by $742,640, or 2%, to $41,912,034

Financial Analysis of the Medical Center

The statements of net position 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 is 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 statements of net position is presented in Table 1.

Table 1
Condensed Statements of Net Position

	June 30		
	2015	**2014 (Not restated)**	**2013 (Not restated)**
Current assets	$19,939,436	$18,255,131	$18,460,719
Noncurrent assets whose use is limited	6,125,229	4,659,933	3,379,455
Capital assets	38,949,509	39,452,643	40,331,695
Total assets	65,014,174	62,367,707	62,171,869
Deferred outflows of resources	1,947,915	–	–
Current liabilities	6,657,806	5,254,297	5,056,876
Long-term debt, less current maturities	14,266,240	15,386,648	16,472,464
Other noncurrent liabilities	9,074,988	88,300	87,000
Total liabilities	29,999,034	20,729,245	21,616,340
Deferred inflows of resources			
Unavailable property tax revenue	1,090,000	1,090,000	1,090,000
Pension related deferred inflows	4,341,444	–	–
	5,431,444	1,090,000	1,090,000
Net investment in capital assets	23,562,861	22,980,181	22,795,553
Unrestricted	7,968,750	17,568,281	16,669,976
Total net position	$31,531,611	$40,548,462	$39,465,529

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated and decreased by $12,291,432 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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		
	2015	2014 (Not restated)	2013 (Not restated)
Net patient service revenue	$41,781,395	$39,869,323	$39,424,831
Other revenue	2,784,175	3,249,143	2,973,133
Total revenue	44,565,570	43,118,466	42,397,964
Salaries	17,804,474	17,499,425	17,940,327
Supplies and expenses	19,845,104	21,271,819	20,966,262
Provision for depreciation	4,262,456	3,883,430	3,628,044
Total operating expenses	41,912,034	42,654,674	42,534,633
Operating income (loss)	2,653,536	463,792	(136,669)
County taxes	1,168,000	1,152,000	1,152,000
Investment income	92,675	103,703	50,882
Interest and amortization expense	(651,046)	(653,527)	(733,335)
Unrestricted contributions	7,416	10,465	19,755
Loss on disposal of assets	–	–	297
Total nonoperating gains	617,045	612,641	489,599
Excess of revenues over expenses before other changes in net position	3,270,581	1,076,433	352,930
Restricted contributions	4,000	6,500	67,779
Change in net position	3,274,581	1,082,933	420,709
Total net position, beginning	28,257,030	39,465,529	39,044,820
Total net position, ending	$31,531,611	$40,548,462	$39,465,529

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenues, expenses and changes in net position between June 30, 2015 and 2014.

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 2015 were 720 compared to 725 in fiscal year 2014. Average length of stay decreased as medical, surgical and obstetrical patient days decreased to 2,087 from 2,108 in 2014. Swing bed discharges for fiscal year 2015 were 79 compared to 95 in fiscal year 2014. Average length of stay increased as swing bed patient days decreased to 537 from 605 in 2014. Volume on the outpatient side increased in 2015. In 2015, gross outpatient charges increased to $63,318,126 compared to $59,904,111 in 2014.

Price Increase: As is customary annually, the Medical Center did review its charge structure and incorporated certain price increases in 2015. Overall, gross patient service revenue increased to $78,799,431 from $73,955,760 in 2014. Emergency room and pharmacy and intravenous therapy reflected the most significant increases in 2015.

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 $37,018,036 in 2015 from $34,086,437 in 2014. This represents 47% and 46% of gross patient charges for 2015 and 2014, respectively.

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

Table 3
Payor Mix by Percentage

	Year ended June 30		
	2015	**2014**	**2013**
Medicare	40%	42%	42%
Medicaid	13	10	9
Commercial insurance	45	46	46
Patients	2	2	3
Totals	100%	100%	100%

Other Revenue

Other revenue decreased to $2,784,175 in 2015 compared to $3,249,143 in 2014 primarily due to a decrease in contract pharmacy income received in 2015.

Expenses

Approximately 43% of the Medical Center's expenses are for salaries. Total salaries increased by 2% to $17,804,474 in 2015 from $17,499,425 in 2014. The Medical Center departments experiencing the most significant increase in 2015 included medical and surgical, Greater Regional Medical Clinic and Pulmonology Clinic.

Approximately 47% of the Medical Center's expenses are for supplies and expenses. Total supplies and expenses decreased by 7% to $19,845,104 in 2015 from $21,271,819 in 2014. The Medical Center departments experiencing the most significant decreases in 2015 included IPERS and group health and life insurance.

Approximately 10% of the Medical Center's expenses relate to provision for depreciation. The provision for depreciation increased to $4,262,456 in 2015 from $3,883,430 in 2014.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to $617,045 in 2015 from $612,641 in 2014.

Capital Assets

A summary of the Medical Center's capital assets is presented in Table 4.

Table 4
Capital Assets

	June 30		
	2015	**2014 (Not restated)**	**2013 (Not restated)**
Land	$ 184,265	$ 184,265	$ 168,265
Land improvements	3,000,016	3,179,716	3,166,716
Building and improvements	36,488,951	36,854,047	36,845,162
Fixed equipment	12,501,275	12,223,299	12,159,924
Major movable equipment	17,097,175	13,774,424	11,162,808
Crestridge Estates	4,134,692	3,419,526	3,419,526
Construction in progress	20,651	80,040	262,780
Subtotal	73,427,025	69,715,317	67,185,181
Less accumulated depreciation	34,477,516	(30,262,674)	(26,853,486)
Net capital assets	$38,949,509	$39,452,643	$40,331,695

At the end of 2015, the Medical Center had $38,949,509 invested in capital assets, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in capital assets. In 2015, $2,256,243 was spent to acquire capital assets. Construction in progress at year end consists of equipment installations in progress.

Debt Administration

At year end, the Medical Center had $15,386,648 in current and long-term debt related to Medical Center Revenue Bonds, a decrease of $1,085,814 from 2014. 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 51% of the Medical Center's total liabilities as of year end.

Deferred Outflows and Inflows of Resources

As of June 30, 2015, the Medical Center reported $1,947,915 of deferred outflows of resources and $5,431,444 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

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 2015 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs County Hospital Budget

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	$ 1,168,000	$ 1,093,456	$ 74,544
Other revenues/receipts	44,660,726	47,498,254	(2,837,528)
	45,828,726	48,591,710	(2,762,984)
Expenses/expenditures	42,581,077	48,527,307	(5,946,230)
Net	$ 3,247,649	$ 64,403	$ 3,183,246

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.

Economic and Other Factors and Next Year's Budget

The Medical Center's board and management considered many factors when setting the fiscal year 2016 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
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2015	**2014** (Not restated)	**2015**	**2014**
CURRENT ASSETS				
Cash and cash equivalents	$11,647,637	$10,340,631	$ 233,144	$ 291,168
Investments	–	–	901,529	456,056
Patient receivables, less allowances for contractual adjustments and bad debts	5,421,481	5,250,852	–	–
Other receivables	324,797	110,472	–	–
Contributions receivable	–	–	50,000	114,266
Inventories	1,000,065	1,054,752	–	–
Prepaid expenses	455,456	408,424	–	–
Succeeding year property tax receivable	1,090,000	1,090,000	–	–
Total current assets	19,939,436	18,255,131	1,184,673	861,490
ASSETS WHOSE USE IS LIMITED				
Designated by board for plant replacement and expansion				
Cash and cash equivalents	5,598,234	3,958,004	–	–
Restricted for payment of long-term debt and interest				
Cash, debt service reserve fund	526,995	701,929	–	–
Total assets whose use is limited	6,125,229	4,659,933	–	–
CAPITAL ASSETS	73,427,025	69,715,317	45,500	45,500
Less accumulated depreciation	34,477,516	30,262,674	–	–
Net capital assets	38,949,509	39,452,643	45,500	45,500
Total assets	65,014,174	62,367,707	1,230,173	906,990
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	1,947,915	–	–	–

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2015	2014 (Not restated)	2015	2014
CURRENT LIABILITIES				
Current maturities of long-term debt	$ 1,120,408	$ 1,085,814	$ –	$ –
Accounts payable				
Trade	1,239,368	1,373,463	–	–
Equipment	1,503,079	–	–	–
Accrued employee compensation	1,325,163	1,600,215	–	–
Payroll taxes and amounts withheld from employees	273,751	196,245	–	–
Accrued interest	66,037	68,560	–	–
Estimated third-party payor settlements	1,130,000	930,000	–	–
Total current liabilities	6,657,806	5,254,297	–	–
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	14,266,240	15,386,648	–	–
Net OPEB liability	113,000	88,300	–	–
Net pension liability	8,961,988	–	–	–
Total long-term liabilities	23,341,228	15,474,948	–	–
Total liabilities	29,999,034	20,729,245	–	–
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	1,090,000	1,090,000	–	–
Pension related deferred inflows	4,341,444	–	–	–
Total deferred inflows of resources	5,431,444	1,090,000	–	–
NET POSITION				
Net investment in capital assets	23,562,861	22,980,181	45,500	45,500
Restricted	–	–	589,129	350,000
Unrestricted	7,968,750	17,568,281	595,544	511,490
Total net position	$31,531,611	$40,548,462	$1,230,173	$ 906,990

Greater Regional Medical Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2015 and 2014

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2015	2014 (Not restated)	2015	2014
NET PATIENT SERVICE REVENUE, net of provision for bad debts 2015 $1,307,165; 2014 $1,480,000	$41,781,395	$39,869,323	$ –	$ –
OTHER REVENUE	2,784,175	3,249,143	20,699	18,695
Total revenue	44,565,570	43,118,466	20,699	18,695
OPERATING EXPENSES				
Nursing service	8,970,090	9,260,683	–	–
Other professional service	17,173,941	16,630,246	–	–
General service	2,658,995	2,681,196	–	–
Fiscal and administrative service and unassigned expenses	8,846,552	10,199,119	71,886	53,140
Provision for depreciation	4,262,456	3,883,430	–	–
Total operating expenses	41,912,034	42,654,674	71,886	53,140
Operating income (loss)	2,653,536	463,792	(51,187)	(34,445)
NONOPERATING GAINS (LOSSES)				
County taxes	1,168,000	1,152,000	–	–
Interest income	92,675	103,703	698	1,028
Unrealized gain (loss) on investments	–	–	(4,457)	54,288
Interest and amortization expense	(651,046)	(653,527)	–	–
Unrestricted contributions	7,416	10,465	128,129	63,760
Total nonoperating gains (losses)	617,045	612,641	124,370	119,076
Excess of revenues over expenses before other changes in net position	3,270,581	1,076,433	73,183	84,631
Restricted contributions	4,000	6,500	250,000	350,000
Change in net position	3,274,581	1,082,933	323,183	434,631
TOTAL NET POSITION				
Beginning, as restated	28,257,030	39,465,529	906,990	472,359
Ending	$31,531,611	$40,548,462	$1,230,173	$ 906,990

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS
Year ended June 30, 2015 and 2014

	Greater Regional Medical Center		Greater Regional Healthcare Foundation	
	2015	2014 (Not restated)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patients and third-party payors	$41,810,766	$40,903,049	$ –	$ –
Cash paid to suppliers for goods and services	(21,019,578)	(21,244,607)	(71,886)	(53,140)
Cash paid to employees for services	(18,079,526)	(17,679,794)	–	–
Other operating revenue received	2,784,175	3,215,643	20,699	18,695
Net cash provided by (used in) operating activities	5,495,837	5,194,291	(51,187)	(34,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
County taxes received	1,168,000	1,152,000	–	–
Contributions received	7,416	10,465	491,465	283,656
Net cash provided by noncapital financing activities	1,175,416	1,162,465	491,465	283,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(2,256,243)	(3,004,378)	–	–
Principal payments on long-term debt	(1,085,814)	(1,063,680)	–	–
Interest paid on long-term debt	(653,569)	(657,245)	–	–
Contributions received	4,000	6,500	–	–
Net cash (used in) capital and related financing activities	(3,991,626)	(4,718,803)	–	–
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	92,675	103,703	698	1,028
Purchase of investments	–	–	(499,000)	(100,000)
Net cash provided by (used in) investing activities	92,675	103,703	(498,302)	(98,972)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,772,302	1,741,656	(58,024)	150,239
CASH AND CASH EQUIVALENTS				
Beginning	15,000,564	13,258,908	291,168	140,929
Ending	$17,772,866	$15,000,564	$ 233,144	$ 291,168

See Notes to Financial Statements.

Greater Regional Medical Center
STATEMENTS OF CASH FLOWS (continued)
Year ended June 30, 2015 and 2014

	Greater Regional Medical Center 2015	Greater Regional Medical Center 2014 (Not restated)	Greater Regional Healthcare Foundation 2015	Greater Regional Healthcare Foundation 2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 2,653,536	$ 463,792	$ (51,187)	$ (34,445)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	4,262,456	3,883,430	–	–
Changes in assets, liabilities, deferred outflows and deferred inflows				
Patient receivables	(170,629)	738,726	–	–
Other receivables	(214,325)	(88,149)	–	–
Inventories	54,687	(77,841)	–	–
Prepaid expenses	(47,032)	94,030	–	–
Pension related deferred outflows	(546,928)	–	–	–
Accounts payable, trade	(134,095)	157,118	–	–
Accrued employee compensation	(275,052)	(180,369)	–	–
Payroll taxes and amounts withheld from employees	77,506	(77,946)	–	–
Net estimated third-party payor settlements	200,000	295,000	–	–
Deferred incentive revenue	–	(33,500)	–	–
Net OPEB liability	24,700	20,000	–	–
Net pension liability	(4,730,431)	–	–	–
Pension related deferred inflows	4,341,444	–	–	–
Net cash provided by (used in) operating activities	$ 5,495,837	$ 5,194,291	$ (51,187)	$ (34,445)
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF NET POSITION				
Cash and cash equivalents per statements of net position				
Current assets	$11,647,637	$10,340,631	$ 233,144	$ 291,168
Assets whose use is limited				
Designated by board for plant replacement and expansion	5,598,234	3,958,004	–	–
Restricted for payment of long-term debt and interest	526,995	701,929	–	–
Total per statements of cash flows	$17,772,866	$15,000,564	$ 233,144	$ 291,168

See Notes to Financial Statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Succeeding Year Property Tax Receivable

Succeeding year 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.

Capital Assets

Capital asset 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.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 Union 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 2014 financial statements in order to conform with the 2015 presentation, with no effect on the change in net position.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

NOTE 2 CASH AND CASH EQUIVALENTS

The Medical Center's deposits at June 30, 2015 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:

	Year ended June 30	
	2015	2014
Medicare	$ 3,388,946	$ 2,978,935
Medicaid	1,130,038	1,102,142
Commercial insurance	3,829,543	3,625,001
Patients	1,957,954	1,823,774
Total patient receivables	10,306,481	9,529,852
Less allowances for contractual adjustments and bad debts	(4,885,000)	(4,279,000)
Net patient receivables	$ 5,421,481	$ 5,250,852

Foundation contributions receivable in the amount of $50,000 represent an estimate of the proceeds of an estate to be settled during fiscal year ending June 30, 2016.

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, 2013.

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 CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation follows:

	June 30, 2015		June 30, 2014	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 184,265	$ –	$ 184,265	$ –
Land improvements	3,000,016	2,430,329	3,179,716	2,243,716
Building and improvements	36,488,951	13,544,935	36,854,047	11,957,736
Fixed equipment	12,501,275	6,297,702	12,223,299	5,752,310
Major movable equipment	17,097,175	10,438,288	13,774,424	8,719,789
Capital assets leased to others	4,134,692	1,766,262	3,419,526	1,589,123
Construction in progress	20,651	–	80,040	–
Totals	$73,427,025	$34,477,516	$69,715,317	$30,262,674

At June 30, 2015 construction in progress consists primarily of equipment installations in process.

NOTE 5 CAPITAL ASSETS (continued)

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
Land	$ 184,265	$ –	$ –	$ –	$ 184,265
Land improvements	3,179,716	12,800	–	(192,500)	3,000,016
Building and improvements	36,854,047	–	–	(365,096)	36,488,951
Fixed equipment	12,223,299	365,686	–	(87,710)	12,501,275
Major movable equipment	13,774,424	3,342,314	47,614	28,051	17,097,175
Capital assets leased to others	3,419,526	17,871	–	697,295	4,134,692
Construction in progress	80,040	20,651	–	(80,040)	20,651
Totals	69,715,317	3,759,322	47,614	–	73,427,025
Less accumulated depreciation	(30,262,674)	(4,262,456)	(47,614)	–	(34,477,516)
Net capital assets	$39,452,643	$ (503,134)	$ –	$ –	$38,949,509

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
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	262,780	63,316	–	(246,056)	80,040
Totals	67,185,181	3,004,378	474,242	–	69,715,317
Less accumulated depreciation	(26,853,486)	(3,883,430)	(474,242)	–	(30,262,674)
Net capital assets	$40,331,695	$ (879,052)	$ –	$ –	$39,452,643

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 capital assets and is not being depreciated.

NOTE 6 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30 2015	2014
Medical Center Revenue Refunding Bonds, Series 2012	$ 3,310,000	$ 3,550,000
Medical Center Revenue Refunding Bonds, Series 2011	3,275,000	3,760,000
Medical Center Revenue Bond, Series 2010	8,801,648	9,162,462
Total	15,386,648	16,472,462
Less current maturities	1,120,408	1,085,814
Long-term debt, net of current maturities	$14,266,240	$15,386,648

NOTE 6 LONG-TERM DEBT (continued)

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 1.75% to 4.6%. At June 30, 2015, the remaining balance on these Bonds is $3,310,000. 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 2.75% to 4.25%. At June 30, 2015, the remaining balance on these Bonds is $3,275,000. 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 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, 2015 the remaining balance on this bond is $8,801,648. 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, 2015 the remaining principal and interest on the Bonds was $20,228,274. 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, 2015 and 2014:

	Year ended June 30	
	2015	2014
Change in net position	$3,274,581	$1,082,933
Provision for depreciation	4,262,456	3,883,430
Interest expense on the Bonds	651,046	653,527
Pledged net revenues	$8,188,083	$5,619,890
Principal and interest requirements on the Bonds	$1,717,504	$1,717,505

NOTE 6 LONG-TERM DEBT (continued)

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
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	270,000	565,000	443,369	1,278,369	442,782	1,721,151
2021 to 2025	1,340,000	635,000	2,535,031	4,510,031	1,533,069	6,043,100
2026 to 2030	675,000	–	3,133,162	3,808,162	643,344	4,451,506
2031 to 2032	–	–	1,083,125	1,083,125	40,507	1,123,632
Totals	3,310,000	3,275,000	8,801,648	15,386,648	4,841,626	20,228,274
Less current maturities	250,000	495,000	375,408	1,120,408	602,329	1,722,737
Total long-term debt	$3,060,000	$2,780,000	$8,426,240	$14,266,240	$4,239,297	$18,505,537

A summary of changes in long-term debt for the year ended June 30, 2015 follows:

	Beginning balance	Additions	Principal payments	Ending balance
Medical Center Revenue Refunding Bonds, Series 2012	$ 3,550,000	$ –	$ 240,000	$ 3,310,000
Medical Center Revenue Refunding Bonds, Series 2011	3,760,000	–	485,000	3,275,000
Medical Center Revenue Bond, Series 2010	9,162,462	–	360,814	8,801,648
Totals	$16,472,462	$ –	$1,085,814	$15,386,648

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

	Beginning balance	Additions	Principal payments	Ending balance
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	9,506,142	–	343,680	9,162,462
Totals	$17,536,142	$ –	$1,063,680	$16,472,462

NOTE 7 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Medical Center, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

NOTE 7 PENSION PLAN (continued)

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Medical Center contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the Medical Center contributed 10.14 percent for a total rate of 16.90 percent.

The Medical Center's contributions to IPERS for the year ended June 30, 2015 and 2014 were $1,460,330 and $1,343,500, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2015, the Medical Center reported a liability of $8,961,988 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Medical Center's proportion of the net pension liability was based on the Medical Center's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Medical Center's proportionate share:

	June 30		
	2014	**2013**	**Change**
Medical Center's proportionate share	0.225976%	0.238474%	(0.012498)%

For the year ended June 30, 2015, the Medical Center recognized pension expense of $524,415. At June 30, 2015, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 86,065	$ –
Change in assumptions	401,520	–
Net difference between projected and actual earnings on pension plan investments	–	3,613,069
Change in proportion and difference between Medical Center contributions and proportionate share of contributions	–	728,375
Medical Center contributions subsequent to the measurement date	1,460,330	–
Totals	$1,947,915	$4,341,444

NOTE 7 PENSION PLAN (continued)

$1,460,330 reported as deferred outflows of resources related to pensions resulting from the Medical Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Regular Members	Protection Occupation	Total
2016	$ (920,955)	$ (38,573)	$ (959,528)
2017	(920,955)	(38,573)	(959,528)
2018	(920,955)	(38,573)	(959,528)
2019	(920,953)	(38,572)	(959,525)
2020	(14,796)	(954)	(15,750)
Totals	$(3,698,614)	$ (155,245)	$(3,853,859)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTE 7 PENSION PLAN (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Medical Center will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Medical Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Medical Center's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Medical Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Medical Center's proportionate share of the net pension liability	$17,354,671	$8,961,988	$1,878,126

NOTE 7 PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the Medical Center reported payables to the defined benefit pension plan of approximately $159,000 for legally required employer contributions and approximately $78,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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, 2015 and 2014.

	2015	2014
Charges foregone, based on established rates	$ 216,621	$ 343,735
Equivalent percentage of charity care patients to all patients served	0.3%	0.5%

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, 2015 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 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 $4,379,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2015 and 2014 were $2,298,629 and $3,155,447, respectively, included in fiscal and administrative and unassigned expenses.

NOTE 11 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 276 active and 1 retired member 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	
	2015	2014
Annual required contribution, ARC	$ 31,500	$ 31,900
Interest on net OPEB obligation	3,500	3,500
Adjustment to annual required contribution	(5,100)	(4,800)
Annual OPEB cost	29,900	30,600
Contributions made	5,200	29,300
Increase in net OPEB obligation	24,700	1,300
Net OPEB obligation, beginning of year	88,300	87,000
Net OPEB obligation, end of year	$ 113,000	$ 88,300

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 years ended June 30, 2015 and 2014.

For the year ended June 30, 2015, the Medical Center contributed $5,200 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, 2015 and 2014 are summarized as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2015	$ 29,900	17%	$ 113,000
June 30, 2014	$ 30,600	96%	$ 88,300

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $195,600 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of $195,600. The covered payroll (annual payroll of active employees covered by the plan) was approximately $15,308,000, and the ratio of the UAAL to the covered payroll was 1.3%. As of June 30, 2015, 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.

NOTE 11 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, 2014 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 annual medical trend rate is 5%.

Mortality rates are from the RP2014 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 $1,282 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 12 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.

NOTE 13 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Medical Center net position
Net position June 30, 2014, as previously reported	$40,548,462
Net pension liability at June 30, 2014	(13,692,419)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	1,400,987
Net position July 1, 2014, as restated	$28,257,030

Greater Regional Medical Center
SCHEDULE OF COMPARATIVE BUDGETARY REPORTING
Required Supplementary Information
Year ended June 30, 2015

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 the budget basis and GAAP basis are that depreciation is not recorded as an expenditure on the budget basis and capital expenditures and debt service proceeds and payments are recorded on the budget basis. Also, IPERS pension contributions are recorded on the budget basis, while IPERS pension expense is recorded on the GAAP basis.

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

	GAAP basis	Budget basis adjustments	Budget basis	County Hospital Budget
Amount to be raised by taxation	$ 1,168,000	$ –	$ 1,168,000	$ 1,093,456
Other revenues/receipts	44,018,615	642,111	44,660,726	47,498,254
	45,186,615	642,111	45,828,726	48,591,710
Expenses/expenditures	41,912,034	669,043	42,581,077	48,527,307
Net	3,274,581	(26,932)	3,247,649	64,403
Balance, beginning	28,257,030	(12,067,412)	16,189,618	40,011,533
Balance, ending	$31,531,611	$(12,094,344)	$19,437,267	$40,075,936

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

Required Supplementary Information

Year ended June 30	Actuarial valuation date	Actuarial valuation of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
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%
2015	July 1, 2014	–	195,600	195,600	0%	15,308,000	1.3%

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

Greater Regional Medical Center
SCHEDULE OF THE MEDICAL CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	June 30 2015
Medical Center's proportion of the net pension liability	0.225976%
Medical Center's proportionate share of the net pension liability	$8,962
Medical Center's total payroll	$17,804
Medical Center's proportionate share of the net pension liability as a percentage of its total payroll	50%
Plan fiduciary net position as a percentage of the total pension liability	88%

See accompanying notes to required supplementary information - pension liability.

Greater Regional Medical Center
SCHEDULE OF MEDICAL CENTER PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	2015	**2014**	**2013**	**2012**
Statutorily required contribution	$ 1,460	$ 1,344	$ 1,419	$ 1,271
Contributions in relation to the statutorily required contribution	1,460	1,344	1,419	1,271
Contribution deficiency (excess)	$ –	$ –	$ –	$ –
Medical Center's total payroll	$17,804	$17,499	$17,940	$16,419
Contributions as a percentage of total payroll	8.2%	7.7%	7.9%	7.7%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
2011	2010	2009	2008	2007	2006
$ 1,066	$ 896	$ 751	$ 641	$ 563	$ 482
1,066	896	751	641	563	482
$ –	$ –	$ –	$ –	$ –	$ –
$ 15,903	$ 13,696	$ 11,980	$ 10,916	$ 9,882	$ 8,622
6.7%	6.5%	6.3%	5.9%	5.7%	5.6%

Greater Regional Medical Center
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

DENMAN
& COMPANY, LLP

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, 2015 and 2014, and our report thereon dated October 12, 2015, which contained an unmodified opinion on those financial statements, appears on pages 4-5. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 12, 2015

Greater Regional Medical Center
ANALYSIS OF PATIENT RECEIVABLES

Age of accounts (by date of discharge)	Amounts June 30 2015	Amounts June 30 2014	Percent to total June 30 2015	Percent to total June 30 2014
0 – 30 days (includes patients in Medical Center at end of year)	$ 5,920,697	$5,514,275	57.45%	57.86%
31 – 60 days	1,679,173	1,752,700	16.29	18.39
61 – 90 days	812,307	625,960	7.88	6.57
91 – 120 days	561,786	420,917	5.45	4.42
Over 120 days	1,332,518	1,216,000	12.93	12.76
Totals	10,306,481	9,529,852	100.00%	100.00%
Allowances				
Contractual				
Medicare	1,584,000	1,303,000		
Medicaid	529,000	484,000		
Other	1,454,000	1,362,000		
Bad debts	1,318,000	1,130,000		
Total allowances	4,885,000	4,279,000		
Totals	$ 5,421,481	$5,250,852		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	$ 114,470	$ 109,231		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	47	48		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	Amounts Year ended June 30 2015	Amounts Year ended June 30 2014	Percent of net patient service revenue Year ended June 30 2015	Percent of net patient service revenue Year ended June 30 2014
BALANCE, beginning	$1,130,000	$1,254,000		
ADD				
Provision for bad debts	1,307,165	1,480,000	3.13%	3.71%
Recoveries of accounts previously written off	573,250	602,510	1.37	1.51
	3,010,415	3,336,510		
DEDUCT				
Accounts written off	1,692,415	2,206,510	4.05	5.53
BALANCE, ending	$1,318,000	$1,130,000		

Greater Regional Medical Center
PATIENT SERVICE REVENUE
Year ended June 30, 2015, with comparative totals for 2014

	2015			2014
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	$ 2,419,810	$ 215,191	$ 2,635,001	$ 2,504,300
Special care	85,392	1,039	86,431	63,602
Swing bed	407,772	–	407,772	433,307
Nursery	320,780	–	320,780	336,859
	3,233,754	216,230	3,449,984	3,338,068
OTHER NURSING SERVICES				
Observation room	–	544,765	544,765	651,886
Operating room	3,450,315	9,043,872	12,494,187	12,181,581
Recovery room	787,519	2,185,768	2,973,287	2,902,834
Delivery and labor rooms	346,521	–	346,521	347,005
Central services and supply	2,212,531	878,924	3,091,455	2,478,925
Emergency room	64,706	7,416,083	7,480,789	5,984,851
Ambulance	–	1,553,221	1,553,221	1,321,155
Outreach services	–	260,203	260,203	223,175
Hospice	–	–	–	775,619
	6,861,592	21,882,836	28,744,428	26,867,031
OTHER PROFESSIONAL SERVICES				
Laboratory and blood service	768,084	5,489,708	6,257,792	5,627,073
Electrocardiology	7,528	136,581	144,109	127,976
Cardiology and vascular testing	87,047	637,533	724,580	588,179
Radiology and ultrasound	155,766	4,144,847	4,300,613	3,949,694
Radiation therapy	17,345	4,955,915	4,973,260	4,778,323
Nuclear medicine	8,313	620,878	629,191	593,538
CT scans	179,738	3,458,236	3,637,974	4,891,268
Magnetic resonance imaging	42,449	1,856,346	1,898,795	2,846,866
Pharmacy and intravenous therapy	1,291,594	7,277,291	8,568,885	7,115,883
Anesthesiology	541,616	1,269,287	1,810,903	1,683,547
Respiratory therapy	380,392	746,504	1,126,896	839,570
Rehabilitation therapy	471,511	1,254,381	1,725,892	1,690,140
Cardiac rehabilitation	–	308,830	308,830	279,347
Outpatient clinics and chemotherapy	1,153	1,185,077	1,186,230	864,559
Diabetic education	–	15,158	15,158	21,292
Lenox clinic	–	395,834	395,834	400,471
Greater Regional Medical Clinic	519,057	4,439,286	4,958,343	4,428,004
Surgical Specialists Clinic	1,040,410	2,808,121	3,848,531	3,368,666
Pulmonology Clinic	90,577	219,247	309,824	–
	5,602,580	41,219,060	46,821,640	44,094,396
Totals	$15,697,926	$63,318,126	79,016,052	74,299,495
Charity care charges foregone, based on established rates			(216,621)	(343,735)
Total gross patient service revenue			78,799,431	73,955,760
Provisions for contractual adjustments and bad debts			(37,018,036)	(34,086,437)
Total net patient service revenue			$41,781,395	$39,869,323

Greater Regional Medical Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	Year ended June 30	
	2015	2014
Contractual adjustments		
Medicare	$16,289,007	$15,181,409
Medicaid	5,361,523	3,757,232
Other adjustments	14,060,341	13,667,796
Provision for bad debts	1,307,165	1,480,000
Totals	$37,018,036	$34,086,437

OTHER REVENUE

	Year ended June 30	
	2015	2014
Rental income		
Crestridge Estates	$ 644,080	$ 602,773
Other	302,488	302,983
Electronic medical records incentive revenue	354,619	281,280
Pharmacy revenue		
Employees	159,527	159,967
340B contract	990,220	1,649,312
Cafeteria sales	193,445	188,256
Sale of supplies and miscellaneous services to employees and others	7,002	10,635
Wellness	3,567	4,319
Miscellaneous	129,227	49,618
Totals	$2,784,175	$3,249,143

Greater Regional Medical Center
EXPENSES
Year ended June 30, 2015, with comparative totals for 2014

	2015			2014
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	$ 333,075	$ 26,193	$ 359,268	$ 317,426
Medical and surgical	1,748,542	153,790	1,902,332	1,777,052
Special care	42,728	3,456	46,184	38,009
Obstetric nursing, delivery and labor rooms	415,379	67,988	483,367	487,372
Operating and recovery rooms	1,410,136	982,580	2,392,716	2,370,098
Central services and supply	–	776,225	776,225	692,597
Emergency room	933,817	1,562,880	2,496,697	2,384,970
Ambulance	135,580	85,218	220,798	159,328
Outreach services	135,196	105,298	240,494	218,622
Hospice	–	52,009	52,009	815,209
Total nursing service	5,154,453	3,815,637	8,970,090	9,260,683
OTHER PROFESSIONAL SERVICE				
Laboratory	544,030	929,645	1,473,675	1,280,282
Pathology	–	100,714	100,714	84,838
Blood service	–	65,192	65,192	95,804
Cardiology and vascular testing	–	11,208	11,208	10,744
Radiology and ultrasound	664,737	365,182	1,029,919	999,372
Radiation therapy	188,934	1,086,035	1,274,969	1,340,453
Nuclear medicine	–	83,542	83,542	103,026
CT scans	–	41,474	41,474	155,328
Magnetic resonance imaging	59,557	441,685	501,242	626,104
Pharmacy	488,917	2,955,782	3,444,699	3,423,305
Intravenous therapy	–	6,406	6,406	1,600
Anesthesiology	–	59,238	59,238	17,371
Respiratory therapy	235,195	100,505	335,700	330,050
Rehabilitation therapy	531,236	154,914	686,150	665,020
Cardiac rehabilitation	67,367	43,028	110,395	95,073
Outpatient clinics and chemotherapy	364,307	394,172	758,479	460,200
Diabetic education	25,728	1,797	27,525	30,347
Bunn clinic	4,171	1,087	5,258	5,088
Lenox clinic	188,781	87,336	276,117	246,730
Crestridge Estates	74,963	261,984	336,947	314,370
Greater Regional Medical Clinic	2,668,314	519,509	3,187,823	2,918,830
Surgical Specialists Clinic	2,233,901	270,621	2,504,522	2,861,190
Pulmonology Clinic	311,778	24,471	336,249	–
Health information services	468,915	47,583	516,498	565,121
Total other professional service	9,120,831	8,053,110	17,173,941	16,630,246

Greater Regional Medical Center
EXPENSES (continued)
Year ended June 30, 2015, with comparative totals for 2014

	2015			2014
	Salaries	Other	Total	Total
GENERAL SERVICE				
Dietary	$ 607,819	$ 185,998	$ 793,817	$ 797,800
Plant operation	268,984	1,110,546	1,379,530	1,398,035
Housekeeping	352,270	87,671	439,941	440,217
Laundry	29,269	16,438	45,707	44,529
Linen	–	–	–	615
Total general service	1,258,342	1,400,653	2,658,995	2,681,196
FISCAL AND ADMINISTRATIVE SERVICE				
Administrative	470,692	314,934	785,626	552,930
Accounting	317,666	5,514	323,180	294,209
Human resources	203,539	84,792	288,331	314,060
Business office	711,680	128,123	839,803	723,643
Purchasing	118,005	38,943	156,948	191,100
Computer support	367,440	322,328	689,768	676,946
Public relations	4,843	102,675	107,518	133,146
Telephone	–	28,400	28,400	31,167
Professional fees	–	188,172	188,172	133,469
Collection fees	–	168,528	168,528	147,987
Receivables management fee	–	148,990	148,990	116,854
Dues and subscriptions	–	40,144	40,144	38,949
Travel and mileage	–	5,910	5,910	2,101
Publication fees	–	6,101	6,101	2,830
Physician recruitment	–	12,000	12,000	12,000
UNASSIGNED EXPENSES				
Wellness	58,111	18,974	77,085	80,351
Volunteer services	18,872	10,948	29,820	32,700
FICA	–	1,114,507	1,114,507	1,127,863
IPERS	–	524,415	524,415	1,343,500
Group health and life insurance	–	2,947,854	2,947,854	3,741,862
Workers' compensation insurance	–	157,448	157,448	292,716
Insurance	–	206,004	206,004	208,736
Total fiscal and administrative service and unassigned expenses	2,270,848	6,575,704	8,846,552	10,199,119
PROVISION FOR DEPRECIATION	–	4,262,456	4,262,456	3,883,430
Total expenses	$17,804,474	$24,107,560	$41,912,034	$42,654,674

Greater Regional Medical Center
COMPARATIVE STATISTICS
(Unaudited)

	Year ended June 30	
	2015	2014
PATIENT DAYS		
Medical, surgical and obstetrical	2,087	2,108
Swing bed	537	605
Nursery	320	346
Totals	2,944	3,059
DISCHARGES		
Medical, surgical and obstetrical	720	725
Swing bed	79	95
Nursery	160	176
Totals	959	996
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.90	2.91
Swing bed	6.80	6.37
Nursery	2.00	1.97

DENMAN
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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 (the Organizations), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2015.

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, 2015 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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 12, 2015

Greater Regional Medical Center
SCHEDULE OF FINDINGS
Year ended June 30, 2015

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, 2015

Part II—Findings Related to Required Statutory Reporting

15-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, 2015.

15-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Medical Center funds were noted.

15-II-C TRAVEL EXPENSES

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

15-II-D BUSINESS TRANSACTIONS

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

15-II-E BOARD MINUTES

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

15-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.