

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$25,040,000

Garden City Hospital Finance Authority (Michigan)

Hospital Revenue and Refunding Bonds, Series 1998A

Garden City Hospital Obligated Group

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

365128AE7

365128AF4

(originally assigned)

365128AJ6

365128AK3

(new - prerefunded)

365128AL1

365128AM9

(new - unrefunded balance)

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) 12  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: [www.firstriver.com](http://www.firstriver.com)

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$46,870,000

Garden City Hospital Finance Authority (Michigan)

Hospital Revenue and Refunding Bonds, Series 2007A

Garden City Hospital Obligated Group

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

365128AG2

365128AH0

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12  
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: \_\_\_\_\_

B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: \_\_\_\_\_

C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

D.  Notice of Failure to Provide Annual Financial Information as Required

E.  Quarterly or Monthly Financial Information and Operating Data  
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: January – March 2010 (FY2010Q2)

F.  Other Secondary Market Information (Specify): \_\_\_\_\_

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name Shelley I. Aronson Title President  
Employer First River Advisory I. L. C.  
Address 2640 Overridge Drive City Ann Arbor State MI Zip Code 48104  
Telephone (734) 761-3624 Fax (734) 761-3614  
Email Address [aronson@firstriver.com](mailto:aronson@firstriver.com) Relationship to Issuer Dissemination Agent

**Obligor Contact, if any:**

Name M. Jane Hardy, CPA Title Director of Accounting  
Employer Garden City Hospital  
Address 6245 Inkster Road City Garden City State MI Zip Code 48135  
Telephone (734) 458-4733 Fax (734) 422-0273  
Email Address [jhardy@gchosp.org](mailto:jhardy@gchosp.org) Obligor Web Site Address [www.gchosp.org](http://www.gchosp.org)

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

# **GARDEN CITY HOSPITAL, OSTEOPATHIC**

**6245 INKSTER ROAD  
GARDEN CITY, MI 48135**

## **OFFICER'S CERTIFICATE**

**DATED: MAY 10, 2010**

This Officer's Certificate is delivered pursuant to Section 5.10(d)(iii) of the Loan Agreement between Garden City Hospital (the Corporation) and the Garden City Hospital Finance Authority (the Issuer), dated as of February 15, 2007. All capitalized terms used herein are as defined in the Loan Agreement, in the Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee, dated as of February 15, 2007, or in the Amended and Restated Master Indenture and Security Agreement between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of February 15, 2007.

As required by Section 5.10(c) of the Loan Agreement, attached is the Quarterly Report referenced therein. The Quarterly Report contains internally-prepared quarterly financial statements for the Fiscal Year (FY) quarter ended March 31, 2010, including a balance sheet as of the end of such quarter, statements of operations and changes in Net Assets for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(i) of the Loan Agreement, volume and utilization data for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(ii) of the Loan Agreement, and management's comments on financial condition and other matters as required by Section 5.10(d)(iv) of the Loan Agreement.

As required by Section 5.10(d)(iii) of the Loan Agreement, the undersigned certifies that:

1. I am the Chief Executive Officer of the Corporation and duly authorized to deliver this Officer's Certificate;
2. the Quarterly Financial Statements have been prepared on substantially the same accounting basis as the Corporation's audited financial statements for its Most Recent Fiscal Year;
3. the Quarterly Financial Statements are, to the best of my belief, true and correct, but may be subject to audit and Fiscal Year-end adjustments; and
4. no Default or Event of Default has occurred and/or is continuing.

GARDEN CITY HOSPITAL, OSTEOPATHIC  
for itself and as Obligated Group Agent on behalf of the Obligated Group



By: Gary R. Ley, President and Chief Executive Officer



Series 2007A Bonds - Financial Report  
Balance Sheet at March 31, 2010

	<u>March 31</u> <u>2010</u>	<u>Sept. 30</u> <u>2009</u>	<u>Change</u>
<b><u>Assets</u></b>			
<b><i>Current Assets</i></b>			
Cash and Cash Equivalents	\$5,230,210	\$6,724,789	(\$1,494,579)
Accounts Receivable	9,583,720	9,254,264	329,456
Due from Third Party Payors	182,044		182,044
Inventories	1,398,372	1,344,765	53,607
Prepaid Expenses and Other Current Assets	1,978,729	1,897,650	81,079
<b>Total Current Assets</b>	<u>18,373,075</u>	<u>19,221,468</u>	<u>(848,393)</u>
<b><i>Assets whose use is limited</i></b>			
Board-Designated Investments	20,694,249	19,738,803	955,446
Other Assets Whose Use is Limited	6,064,417	5,495,365	569,052
<b>Total Assets whose use is limited</b>	<u>26,758,666</u>	<u>25,234,168</u>	<u>1,524,498</u>
<b>Due from related parties</b>	<b>1,386,860</b>	<b>355,172</b>	<b>1,031,688</b>
<b><i>Other assets</i></b>			
Deferred bond costs, net	823,052	845,550	(22,498)
Investment in offshore captives	7,689,529	6,062,407	1,627,122
Other	165,000	165,000	0
<b>Total Other assets</b>	<u>8,677,581</u>	<u>7,072,957</u>	<u>1,604,624</u>
<b>Property and equipment, net</b>	<b>52,584,859</b>	<b>53,669,331</b>	<b>(1,084,472)</b>
<b>Total Assets</b>	<u><u>\$107,781,041</u></u>	<u><u>\$105,553,096</u></u>	<u><u>\$2,227,945</u></u>
<b><u>Liabilities and Net Assets</u></b>			
<b><i>Current Liabilities</i></b>			
Current portion obligation - Capital Leases	\$813,792	\$825,792	(\$12,000)
Current portion of Long Term Debt	235,927	437,109	(201,182)
Due to Third Party Payors		281,101	(281,101)
Accounts Payable	9,428,116	7,864,173	1,563,943
Accrued Wage / Benefits Payable	4,000,859	3,577,100	423,759
<b>Total Current Liabilities</b>	<u>14,478,694</u>	<u>12,985,275</u>	<u>1,493,419</u>
<b><i>Other Liabilities</i></b>			
Reserve for Professional Liability Claims	3,297,997	2,492,471	805,526
Pension Liability	14,953,846	14,654,846	299,000
Obligations under Capital Leases, less current portion	1,041,070	1,041,070	0
Long Term Debt, less current portion	54,059,531	54,035,169	24,362
<b>Total Other Liabilities</b>	<u>73,352,444</u>	<u>72,223,556</u>	<u>1,128,888</u>
<b>Total Liabilities</b>	<u>87,831,138</u>	<u>85,208,831</u>	<u>2,622,307</u>
<b><i>Net Assets</i></b>			
Unrestricted	19,787,136	20,228,620	(441,484)
Temporarily Restricted	162,767	115,645	47,122
<b>Total Net Assets</b>	<u>19,949,903</u>	<u>20,344,265</u>	<u>(394,362)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$107,781,041</u></u>	<u><u>\$105,553,096</u></u>	<u><u>\$2,227,945</u></u>



Series 2007A Bonds - Financial Report

Income Statement and Key Statistics for the Six Months Ended March 31, 2010

	Year To Date			
	Actual	Budget	Variance	Prior Year
<b><u>Revenues:</u></b>				
Net Patient Service Revenue	\$70,151,048	\$72,228,831	(\$2,077,783)	\$71,083,280
Other Operating Revenue	3,205,992	2,591,589	614,403	1,917,736
Total Operating Revenue	73,357,040	74,820,420	(1,463,380)	73,001,016
<b><u>Operating Expenses:</u></b>				
Salaries and Wages	29,332,084	28,783,147	(548,937)	29,686,639
Employee Fringe Benefits	7,816,870	8,122,507	305,637	8,209,823
Professional Fees	1,034,916	1,145,950	111,034	1,173,830
Supplies	13,198,340	13,202,412	4,072	13,219,660
Purchased Services	4,857,746	4,772,659	(85,087)	5,405,032
Insurance	1,770,940	1,794,000	23,060	1,760,743
Bad Debt	6,145,242	6,496,837	351,595	5,345,850
Other Operating Expense	5,086,489	5,352,146	265,657	5,404,591
Subtotal Operating Expenses	69,242,627	69,669,658	427,031	70,206,168
Earnings before Int,Depn,Amort	4,114,413	5,150,762	(1,036,349)	2,794,848
Interest	1,447,515	1,443,035	(4,480)	1,484,857
Depreciation and Amortization	3,160,720	3,600,000	439,280	3,141,910
<b>Excess Revenue over Expenses</b>	<b>(\$493,822)</b>	<b>\$107,727</b>	<b>(\$601,549)</b>	<b>(\$1,831,919)</b>
<b><u>Key Statistics:</u></b>				
Admissions (Excl. Newborn)	<b>4,240</b>	<b>4,534</b>	<b>(294)</b>	<b>4,548</b>
Patient Days	<b>22,674</b>	<b>23,252</b>	<b>(578)</b>	<b>23,687</b>
Average Length of Stay (M/S)	<b>5.33</b>	<b>5.10</b>	<b>(0.23)</b>	<b>5.18</b>
Surgical Cases	<b>3,324</b>	<b>3,583</b>	<b>(259)</b>	<b>3,506</b>
Emergency Visits	<b>21,923</b>	<b>22,233</b>	<b>(310)</b>	<b>21,144</b>
Case Mix Index	<b>1.2760</b>	<b>1.2150</b>	<b>0.0610</b>	<b>1.2190</b>
Outpatient Gross Revenue (000)	<b>\$84,473</b>	<b>\$87,057</b>	<b>(\$2,584)</b>	<b>\$82,798</b>



*Series 2007A Bonds - Financial Report*  
*Statement of Changes in Net Assets*

	<b>Six Months Ended March 31, 2010</b>	<b>Twelve Months Ended September 30, 2009</b>
<b><i>Unrestricted net assets</i></b>		
Excess of revenue over expenses	\$ (493,822)	\$ 2,374,116
Pension liability adjustment		(12,670,891)
Transfer to/from affiliates	52,338	(949,865)
Increase in unrestricted net assets	<u>(441,484)</u>	<u>(11,246,640)</u>
<b><i>Temporarily restricted net assets</i></b>		
Contributions	47,122	53,357
Net assets released from restrictions	-	-
Increase (decrease) in temporarily restricted net assets	<u>47,122</u>	<u>53,357</u>
<b><i>Increase / (Decrease) in net assets</i></b>	<b>(394,362)</b>	<b>(11,193,283)</b>
<b><i>Net assets at beginning of period</i></b>	<b>20,344,265</b>	<b>31,537,548</b>
<b><i>Net assets at end of period</i></b>	<b>\$ 19,949,903</b>	<b>\$ 20,344,265</b>



*Series 2007A Bonds - Financial Report*

*Cash Flow Statement for the Six Months Ended March 31, 2010*

	<b>Six Months Ended</b>
	<b><u>March 31, 2010</u></b>
<b>Operating activities</b>	
(Decrease) increase in net assets	\$ (394,362)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:	
Depreciation and amortization	3,160,720
Provision for uncollectible accounts	6,145,242
Change in investment in captive insurance company	(1,627,122)
Changes in assets and liabilities:	
Accounts receivable	(6,474,698)
Due to third-party payors	(463,145)
Due to/from related parties	(1,031,688)
Inventories, prepaid expenses, and other assets	(134,686)
Investments	(1,227,187)
Accounts payable	1,563,943
Accrued benefits payable	423,759
Reserve for professional liability claims	805,526
Pension obligation	299,000
Net cash (used in) provided by operating activities	<u>1,045,302</u>
Additions to property and equipment – net	(2,053,750)
Decrease (increase) in bond proceeds designated for capital projects	(297,311)
Proceeds from sale of property and equipment	–
Other	–
Net cash provided by (used in) investing activities	<u>(2,351,061)</u>
<b>Financing activities</b>	
Payments on capital leases	(12,000)
Payments on long-term debt	(176,820)
Net cash (used in) provided by financing activities	<u>(188,820)</u>

## **1. Organization and Significant Accounting Policies**

Garden City Hospital (the Corporation), a Michigan nonprofit organization, is the parent corporation of Garden City Hospital Foundation (the Foundation), Garden Nursing Center, Inc., Amerigard Development, Inc., United Home Health Services, Inc., and Amerigard Diagnostic Centre. Garden Nursing Center, Inc. formerly owned and operated Advance Nursing Center (Advance).

Since the Corporation is the only member of the Obligated Group, the financial statements only include the accounts of the Corporation and not the above subsidiaries.

### **Cash and Cash Equivalents**

The Corporation considers all investments with an original maturity of three months or less when purchased, excluding amounts whose use is limited by other arrangements and under trust agreements, to be cash equivalents.

### **Investments**

The Corporation has designated its entire investment portfolio as trading, with unrealized gains and losses included in the excess of (expenses over revenue) revenue over expenses. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is reported as operating gains (losses) unless the income is restricted by donor or law.

### **Assets Whose Use Is Limited**

Assets whose use is limited include those assets held by trustees under indenture agreements, funds designated by the board of trustees for capital improvements, donor restricted funds which arise through specific contributions to the Corporation, and deposits held by the Corporation's captive insurance company. As such, these assets are available to fund only approved expenditures.

Assets whose use is limited are comprised substantially of cash and cash equivalents, marketable securities, and debt securities, and are stated at fair value.

### **Inventory**

Inventory, which consists principally of medical supplies, are valued at the lower of cost or market. Cost is determined based on the first-in, first out method.

### **Property and Equipment**

Property and equipment, including amounts under capital lease, are stated at cost or estimated fair value at the date of donation, and are depreciated by the straight-line method. Estimated

useful lives by asset category are as follows: land improvements – 2 to 25 years; buildings and fixed equipment – 3 to 50 years; and furniture and equipment – 3 to 20 years.

### **Bond Issue Costs and Unamortized Bond Discounts**

Bond issue costs and unamortized bond discounts are amortized by the bonds outstanding method over the terms of the bonds.

### **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. Estimated settlements are recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

The majority of the Corporation's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross). Under these provisions, payment rates for patient care are determined prospectively on various bases, and the Corporation's revenues are limited to such amounts. Payments are also received for the Corporation's capital and medical education costs, subject to certain limits. Additionally, the Corporation has entered into agreements with commercial insurance carriers, certain health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined per diem rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with such laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory actions, including fines, penalties, and possible exclusion from the Medicare and Medicaid programs

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically throughout the year management assesses the adequacy of allowance for uncollectible accounts based upon historical write off experience by payor category. The results of this review are then used to make any modifications to the provisions for bad debts to establish an appropriate allowance for uncollectible receivables. After satisfactions of amounts due from insurance, the Corporation follows established guidelines for placing certain past due patient balances with collection agencies.

## **1. Organization and Significant Accounting Policies (continued)**

### **Charity Care**

The Corporation provides health care services to patients regardless of their ability to pay. The Corporation 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 Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

### **Excess of Revenue Over Expenses**

The statement of operations includes the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, include contributions of and net assets released from restrictions for long-lived assets and recognition of additional minimum pension liability adjustments.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Tax Status**

The Corporation has been determined by the Internal Revenue Service to be an organization as described under Internal Revenue Code Section 501(c)(3), and as such is exempt from federal income taxes under Code Section 501(a).

## 2. Assets Whose Use is Limited

Assets whose use is limited as of March 31, 2010 and September 30, 2009 consisted of the following:

	<u>March 2010</u>	<u>September 2009</u>
Bond proceeds held by trustee	\$ 5,677,031	\$ 4,836,325
Bond proceeds held by trustee for construction	-	556,533
Board designated for capital improvements	20,694,249	19,725,665
Temporarily restricted investments	162,767	115,645
Total	<u>\$ 26,534,047</u>	<u>\$ 25,234,168</u>

## 3. Property and Equipment

Property and equipment as of March 31, 2010 and September 30, 2009, which are stated at cost, consists of the following:

	<u>March 2010</u>	<u>September 2009</u>
Land and land improvements	\$ 1,575,139	\$ 1,575,139
Buildings and fixed equipment	76,914,757	76,022,992
Furniture and equipment	52,098,412	51,726,093
Construction-in-progress	1,419,319	813,580
	<u>132,007,627</u>	<u>130,137,804</u>
Less accumulated depreciation	79,422,768	76,468,473
Total property and equipment	<u>\$ 52,584,859</u>	<u>\$ 53,669,331</u>

#### 4. Long-Term Debt

Long-term debt as of March 31, 2010 and September 30, 2009 consists of:

	<u>March 2010</u>	<u>September 2009</u>
Garden City Hospital Finance Authority:		
Revenue Bonds – Series 1998A	\$ 7,830,000	\$ 7,830,000
Revenue and Refunding Bonds – Series 2007A	46,870,000	46,870,000
Other	173,323	160,961
	<u>54,873,323</u>	<u>54,860,961</u>
Less current portion	813,792	819,792
	<u>\$ 54,059,531</u>	<u>\$ 54,035,169</u>

The Corporation is the sole member of the Garden City Hospital Obligated Group (the Obligated Group). The Bonds are secured by a security interest in certain tangible and intangible property of the Corporation.

In March 2007, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Series 2007A, subject to redemption in amounts ranging from \$1,325,000 to \$3,475,000 in 2038. The bonds bear interest at rates ranging from 4.875% to 5%. The proceeds from the Series 2007A Bonds were used to refund the Series 1996 Bonds, advance refund a portion of the Series 1998 Bonds, and provide funding for the hospital's capital projects.

In 1998, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds, Series 1998A. The bonds bear interest at rates ranging from 5.62% to 5.75%. During 2007, the Obligated Group advance refunded \$9,135,000 of the Series 1998A Bonds. The remaining redemption amounts range from \$755,000 to \$1,225,000 in 2017. The Obligated Group has been released as primary obligor of the refunded bonds, and for financial reporting purposes has derecognized the liability.

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2010, related to workers' compensation claims.

**GARDEN CITY HOSPITAL, OSTEOPATHIC  
6245 INKSTER ROAD  
GARDEN CITY, MI 48135**

**MANAGEMENT'S COMMENTS  
RELATING TO THE SIX MONTHS ENDED MARCH 31, 2010**

**DATED MAY 10, 2010**

These Management's Comments are delivered pursuant to Section 5.10(d)(iv) of the Loan Agreement between Garden City Hospital (the Corporation) and the Garden City Hospital Finance authority (the Issuer), dated as of February 15, 2007. All capitalized terms used herein are as defined in the Loan Agreement, in the Official Statement relating to the Series 2007A Bonds dated March 7, 2007 (the OS), in the Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee, dated as of February 15, 2007, or in the Amended and Restated Master Indenture and Security Agreement between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of February 15, 2007.

**SUMMARY OF PERFORMANCE**

The Corporation reported a Net Loss of (\$493,822) for the six months YTD as a result of lower than expected patient volume, though offset somewhat by favorable patient acuity. Other operating revenue was favorable due to a combination of investment performance, retail pharmacy volume and recognition of purchase discounts. Wages were over budget but were offset by favorable variances in depreciation, employee benefits, bad debt and other expenses.

**PATIENT SERVICE VOLUMES**

Inpatient admissions were unfavorable to budget (294) YTD. However, at times the hospital experienced above average occupancy due to seasonal viruses and increased patient acuity. Average Length of Stay for Medical/Surgical patients was 5.33 days, 4.5 percent unfavorable to budget of 5.10, due to increased patient acuity. Case Mix Index increased to 1.276, representing a 5.0 percent increase relative to budget. This was largely due to an increase in acute respiratory and ventilator-assisted cases. Payor mix is shifting slightly to Medicare HMO, Medicaid HMO, and self pay and away from Blue Cross.

Outpatient revenue volume was unfavorable to budget by 3.0 percent. Emergency visits were unfavorable by (310), or 1.0 percent. Outpatient surgical cases were unfavorable by (112), or 4.6 percent. Outpatient CT volume was unfavorable by (166), or 2.2 percent. Outpatient lab volume was unfavorable to budget by 1.6 percent. Overall, outpatient revenue was unfavorable to budget by (\$2,583,934), primarily in Pharmacy, Imaging Services and Emergency Services.

## **RESULTS OF OPERATIONS**

The volume trends discussed above, despite higher levels of patient acuity, caused unfavorable net revenue YTD of (\$2,078,000). The investment income of \$1,002,000 was favorable to budget by \$496,000 YTD.

Labor costs were unfavorable by (\$549,000) primarily due to occasional increased patient volume and acuity. Employee benefits were favorable to budget \$306,000 due to favorable health insurance experience.

Bad Debt expense was favorable to budget by \$352,000. On a year to date basis, Bad debt expense (8.76 percent) remains below the 12.2 percent of total revenue projected by management (OS page A-59).

Other operating expenses were favorable to budget \$341,000 primarily due to a property tax refund of \$325,000.

Depreciation is favorable by \$439,000 due to the delay in purchase of capital assets YTD.

## **BALANCE SHEET ACTIVITY**

Cash decreased YTD by (\$1,495,000) primarily due to a use of cash for bond and capital lease payments, captive insurance company investment, and affiliates. Non-restricted investments increased \$955,000. Days cash on hand, which includes investments, at March 31, 2010 stood at 68 days, which is slightly lower than the cash position of 69 days at September 30, 2009. Days in Accounts Payable at March 31, 2010 stood at 71.2 days, an increase of 15.1 days over the position at September 30, 2009 of 56.1. The large increase is due in part to a 5.4 percent drop in average daily trade accounts payable since expenses YTD are trending lower than last year.