

# 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) 14  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: \_\_\_\_\_ July – September 2011 (FY2011Q4)

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 J. Aronson \_\_\_\_\_ Title \_\_\_\_\_ President \_\_\_\_\_  
Employer \_\_\_\_\_ First River Advisory L.L.C. \_\_\_\_\_  
Address \_\_\_\_\_ 2640 Override 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 \_\_\_\_\_ Timothy M. Jodway, CPA \_\_\_\_\_ Title \_\_\_\_\_ Vice President and Chief Financial Officer \_\_\_\_\_  
Employer \_\_\_\_\_ Garden City Hospital \_\_\_\_\_  
Address \_\_\_\_\_ 6245 Inkster Road \_\_\_\_\_ City \_\_\_\_\_ Garden City \_\_\_\_\_ State \_\_\_\_\_ MI \_\_\_\_\_ Zip Code \_\_\_\_\_ 48135 \_\_\_\_\_  
Telephone \_\_\_\_\_ (734) 458-4642 \_\_\_\_\_ Fax \_\_\_\_\_ (734) 422-0273 \_\_\_\_\_  
Email Address \_\_\_\_\_ [TJodway@gchosp.org](mailto:TJodway@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: DECEMBER 20, 2011**

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 September 30, 2011, 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 Financial 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;
4. the Corporation expects, when the audited financial statements are produced, to comply with the Debt Service Coverage Ratio covenant specified in Section 5.1(b)(ii) of the Master Indenture, the calculation for which follows:

<b><i>Debt Service Coverage Ratio Calculation</i></b> <b><i>Fiscal Year Ended September 30, 2011 (based on unaudited figures)</i></b> <b><i>Per Section 5.01(b)(ii) of the Master Indenture</i></b>		
	Excess (Deficiency) of Revenue over Expenses	(1,087,646)
	Plus: Depreciation and Amortization Expense	5,849,132
	Plus: Interest Expense	2,822,917
	Plus: Unrealized Losses on Investment Securities included in Excess of Revenue over Expenses	21,838
	Plus: Loss on Extinguishment of Debt included in Excess of Revenue over Expenses	0
NIADS	Net Income Available for Debt Service	7,606,241
MADS	Maximum Annual Debt Service Requirements	4,125,544
NIADS ÷ MADS	Debt Service Coverage Ratio	1.84
	Required Level	1.20

5. the Corporation expects, when the audited financial statements are produced, to comply with the Liquidity Covenant specified in Section 501(e) of the Master Indenture, the calculation for which follows:

<b><i>Days Cash on Hand Calculation</i></b> <b><i>at the September 30, 2011 (based on unaudited figures)</i></b> <b><i>Per Section 5.01(e) of the Master Indenture</i></b>		
	Non-restricted Cash	3,735,933
	Plus: Funded Depreciation and Unrestricted Investments	19,297,426
	Minus: Short-Term Indebtedness	0
FA	Financial Assets	23,033,359
	Operating Expenses	147,522,676
	Minus: Depreciation	(5,849,132)
DOE	Daily Operating Expenses	388,147
FA ÷ DOE	Days Cash on Hand	59.3
	Required Level	50.0

6. the Corporation expects, when the audited financial statements are produced, to comply with the trade account payables covenant specified in Section 501(d) of the Master Indenture; and
7. no 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

A handwritten signature in black ink, appearing to read "Timothy M. Jodway". The signature is fluid and cursive, with a large initial "T" and "J".

By: Timothy M. Jodway, Vice President and Chief Financial Officer



**Series 2007A Bonds - Financial Report**  
**Balance Sheet at September 30, 2011 and September 30, 2010**

	<u>Sept 30, 2011</u>	<u>Sept 30, 2010</u>	<u>Change</u>
<b><u>Assets</u></b>			
<b><i>Current Assets</i></b>			
Cash and Cash Equivalents	\$3,735,933	\$1,520,466	\$2,215,467
Accounts Receivable	12,636,948	10,136,080	2,500,868
Due from Third Party Payors			
Inventories	1,502,857	1,414,910	87,947
Prepaid Expenses and Other Current Assets	2,074,426	2,013,217	61,209
<b>Total Current Assets</b>	<u>19,950,164</u>	<u>15,084,673</u>	<u>4,865,491</u>
<b><i>Assets whose use is limited</i></b>			
Board-Designated Investments	19,297,426	21,637,707	(2,340,281)
Other Assets Whose Use is Limited	5,706,202	5,898,106	(191,904)
<b>Total Assets whose use is limited</b>	<u>25,003,628</u>	<u>27,535,813</u>	<u>(2,532,185)</u>
<b>Due from related parties</b>	1,879,041	1,224,901	654,140
<b><i>Other assets</i></b>			
Deferred bond costs, net	751,519	798,534	(47,015)
Investment in offshore captives	6,360,665	3,805,986	2,554,679
Other	417,917	254,284	163,633
<b>Total Other assets</b>	<u>7,530,101</u>	<u>4,858,804</u>	<u>2,671,297</u>
<b>Property and equipment, net</b>	<u>47,309,849</u>	<u>51,956,192</u>	<u>(4,646,343)</u>
<b>Total Assets</b>	<u><u>\$101,672,783</u></u>	<u><u>\$100,660,383</u></u>	<u><u>\$1,012,400</u></u>
<b><u>Liabilities and Net Assets</u></b>			
<b><i>Current Liabilities</i></b>			
Current portion obligation - Capital Leases	\$492,278	\$478,480	\$13,798
Current portion of Long Term Debt	952,606	894,157	58,449
Due to Third Party Payors	408,253	146,294	261,959
Accounts Payable	7,201,387	6,856,836	344,551
Accrued Wage / Benefits Payable	4,886,602	4,842,328	44,274
<b>Total Current Liabilities</b>	<u>13,941,126</u>	<u>13,218,095</u>	<u>723,031</u>
<b><i>Other Liabilities</i></b>			
Reserve for Professional Liability Claims	5,097,213	2,381,324	2,715,889
Pension Liability	22,995,474	20,387,913	2,607,561
Obligations under Capital Leases, less current portion	84,932	577,210	(492,278)
Long Term Debt, less current portion	52,256,444	53,171,951	(915,507)
<b>Total Other Liabilities</b>	<u>80,434,063</u>	<u>76,518,398</u>	<u>3,915,665</u>
<b>Total Liabilities</b>	<u>94,375,189</u>	<u>89,736,493</u>	<u>4,638,696</u>
<b><i>Net Assets</i></b>			
Unrestricted	7,160,846	10,762,095	(3,601,249)
Temporarily Restricted	136,748	161,795	(25,047)
<b>Total Net Assets</b>	<u>7,297,594</u>	<u>10,923,890</u>	<u>(3,626,296)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$101,672,783</u></u>	<u><u>\$100,660,383</u></u>	<u><u>\$1,012,400</u></u>



**Series 2007A Bonds - Financial Report**

**Income Statement and Key Statistics for the Years Ended September 30, 2011 and September 30, 2010**

	<u>Year Ended</u> <u>Sept 30, 2011</u>	<u>Year Ended</u> <u>Sept 30, 2010</u>	<u>Variance</u>
<b><u>Revenues:</u></b>			
Net Patient Service Revenue	\$141,395,946	\$137,149,487	\$4,246,459
Other Operating Revenue	4,183,589	4,345,801	(162,212)
Total Operating Revenue	<u>145,579,535</u>	<u>141,495,288</u>	<u>4,084,247</u>
<b><u>Expenses:</u></b>			
Salaries and Wages	55,336,645	57,686,537	2,349,892
Employee Fringe Benefits	15,834,971	14,988,686	(846,285)
Professional Fees	2,409,054	2,406,252	(2,802)
Supplies	24,923,478	25,838,592	915,114
Purchased Services	10,542,030	10,152,347	(389,683)
Insurance	2,751,626	2,922,710	171,084
Bad Debt	15,412,518	13,246,791	(2,165,727)
Other Operating Expense	11,640,305	10,946,016	(694,289)
Subtotal Operating Expenses	<u>138,850,627</u>	<u>138,187,931</u>	<u>(662,696)</u>
Op Income (Loss) Before Interest, Depreciation	6,728,908	3,307,357	3,421,551
Interest	2,822,917	2,888,300	65,383
Depreciation and Amortization	5,849,132	6,108,069	258,937
<b>(Loss)/Income from Operations</b>	<u>(1,943,141)</u>	<u>(5,689,012)</u>	<u>3,745,871</u>
Investment income	855,495	2,082,856	(1,227,361)
Net (Loss)/Income	<u><u>(\$1,087,646)</u></u>	<u><u>(\$3,606,156)</u></u>	<u><u>\$2,518,510</u></u>
<b><u>Key Statistics:</u></b>			
Discharges (Excl. Newborn)	9,498	8,320	1,178
Total Patient Days (Excl. Nborn)	43,125	43,234	(109)
Average Length of Stay (M/S)	4.4	5.2	(0.8)
Total Surgical Cases	6,473	6,533	(60)
Emergency Visits	48,912	45,446	3,466
Case Mix Index - Medicare acute	1.317	1.414	(0.097)
Outpatient Gross Revenue (\$000)	\$164,260	\$166,426	-\$2,166



**Series 2007A Bonds - Financial Report**  
**Statement of Changes in Net Assets**  
**September 30, 2011 and September 30, 2010**

	<b>Year Ended Sept 30, 2011</b>	<b>Year Ended Sept 30, 2010</b>
<b>Unrestricted net assets</b>		
Excess of revenue over expenses	\$ (1,087,646)	\$ (3,606,156)
Pension liability adjustment	(2,185,679)	(5,369,311)
Transfer to/from affiliates	(340,000)	(491,058)
Other	12,076	
Decrease in unrestricted net assets	<u>(3,601,249)</u>	<u>(9,466,525)</u>
<b>Temporarily restricted net assets</b>		
Contributions	62,272	46,150
Net assets released from restrictions	(87,319)	-
(Decrease) increase in temporarily restricted net assets	<u>(25,047)</u>	<u>46,150</u>
<b>Decrease in net assets</b>	(3,626,296)	(9,420,375)
<b>Net assets at beginning of period</b>	10,923,890	20,344,265
<b>Net assets at end of period</b>	<u>\$ 7,297,594</u>	<u>\$ 10,923,890</u>



**Series 2007A Bonds - Financial Report**  
**Cash Flow Statement**  
**September 30, 2011 and September 30, 2010**

	<b>Year Ended Sept 30, 2011</b>	<b>Year Ended Sept 30, 2010</b>
<b>Operating activities</b>		
(Decrease) increase in net assets	(\$3,626,296)	(\$9,420,374)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,849,132	6,108,069
Provision for uncollectible accounts	15,412,518	13,246,791
Change in investment in captive insurance company	(2,554,679)	2,256,421
Pension liability adjustment	2,185,679	5,369,311
Changes in assets and liabilities:		
Accounts receivable	(17,913,386)	(14,128,607)
Due to third-party payors	261,959	(869,729)
Due to/from related parties	(654,140)	(134,807)
Inventories, prepaid expenses, and other assets	(149,156)	(185,713)
Accounts payable	344,551	(1,009,389)
Accrued benefits payable	44,274	1,265,227
Reserve for professional liability claims	2,715,889	(111,147)
Pension obligation	421,882	363,756
Net cash (used in) provided by operating activities	<u>2,338,227</u>	<u>2,749,809</u>
<b>Investing activities</b>		
Additions to property and equipment – net	(1,155,774)	(4,437,197)
Decrease (increase) in bond proceeds designated for capital projects		–
Change in Investments	2,368,552	(2,299,593)
Net cash provided by (used in) investing activities	<u>1,212,778</u>	<u>(6,736,790)</u>
<b>Financing activities</b>		
Payments on capital leases	(478,480)	(422,489)
Payments on long-term debt	(857,058)	(794,853)
Net cash (used in) provided by financing activities	<u>(1,335,538)</u>	<u>(1,217,342)</u>
Increase (decrease) in cash and cash equivalents	2,215,467	(5,204,323)
Cash and cash equivalents at beginning of period	1,520,466	6,724,789
Cash and cash equivalents at end of period	<u><u>\$3,735,933</u></u>	<u><u>\$1,520,466</u></u>

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

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

These financial statements are for the Obligated Group, which consists of the Hospital. These statements exclude any investment in and results of operations of the Hospital's subsidiaries. Operations of the related organizations are part of the consolidated financial statements of Garden City Hospital.

### **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 companies. 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.

## **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 deficiency of revenue over expenses. Changes in unrestricted net assets which are excluded from deficiency of revenue over expenses, consistent with industry practice, include contributions of and net assets released from restrictions for long-lived assets and changes in defined benefit pension plan gains and losses.

## **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 September 30, 2011 and September 30, 2010 consisted of the following:

	<u>Sept 30, 2011</u>	<u>Sept 30, 2010</u>
Bond proceeds held by trustee	\$ 5,141,100	\$ 5,323,138
Board designated for capital improvements	19,297,426	21,637,707
Temporarily restricted investments	565,102	574,968
Total	<u>\$ 25,003,628</u>	<u>\$ 27,535,813</u>

## 3. Property and Equipment

Property and equipment as of September 30, 2011 and September 30, 2010, which are stated at cost, consists of the following:

	<u>Sept 30, 2011</u>	<u>Sept 30, 2010</u>
Land and land improvements	\$ 1,627,849	\$ 1,575,139
Buildings and fixed equipment	78,928,354	78,844,388
Furniture and equipment	54,758,869	53,603,338
Construction-in-progress	142,494	278,882
	<u>135,457,565</u>	<u>134,301,747</u>
Less accumulated depreciation	88,147,716	82,345,555
Total property and equipment	<u>\$ 47,309,849</u>	<u>\$ 51,956,192</u>

#### 4. Long-Term Debt

Long-term debt as of September 30, 2011 and September 30, 2010 consists of:

	<u>Sept 30, 2011</u>	<u>Sept 30, 2010</u>
Garden City Hospital Finance Authority:		
Revenue and Refunding Bonds – Series 2007A	\$ 46,870,000	\$ 46,870,000
Revenue Bonds – Series 1998A	6,200,000	7,040,000
Other	139,050	156,108
	<u>53,209,050</u>	<u>54,066,108</u>
Less current portion	952,606	894,157
Total	<u>\$ 52,256,444</u>	<u>\$ 53,171,951</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 5.000%. 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. During 2007, the Obligated Group advance refunded \$9,135,000 of the Series 1998A Bonds. The remaining redemption amounts range from \$840,000 to \$1,225,000 in 2017 and bear interest at 5.750%

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2012, related to workers' compensation claims.

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

**MANAGEMENT'S COMMENTS  
RELATING TO THE YEAR ENDED SEPTEMBER 30, 2011**

**DATED DECEMBER 20, 2011**

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**

For the year ended September 30, 2011, the Corporation reported a net loss of \$1,088,000 compared to a net loss of \$3,606,000 for the same period last year. Operating revenues increased \$4,084,000 while operating expenses increased \$663,000 primarily due to an increase in bad debt expense. Depreciation and interest expenses decreased \$324,000. Investment income decreased \$1,227,000.

**PATIENT SERVICE VOLUMES**

Inpatient discharges increased by 1,178 cases or 14.2 percent. Inpatient surgical cases increased by 68 cases. Average Length of Stay for Medical/Surgical patients was 4.4 days, which was a 15.4 percent decrease from last year's 5.2 days. The Medicare acute Case Mix Index was 1.317 compared to last year's 1.414.

Outpatient lab volume decreased by 24,893 tests or 8.4 percent. Outpatient radiology was down 6,370, or 17.8 percent. Emergency visits increased by 3,466, or 7.6 percent. Outpatient surgical cases decreased by 128, or 2.7 percent.

**RESULTS OF OPERATIONS**

Salaries and wages decreased by \$2,350,000, or 4.1 percent. Total paid FTEs decreased by 43.0.

Bad debt expense increased \$2,166,000 due to an increase in self pay accounts. Bad debt as a percent of total operating revenue increased from 9.4 percent to 10.6 percent.

Supplies expense decreased \$915,000. Other operating expenses increased \$694,000 over the prior year, which prior year was artificially low due to a \$350,000 property tax refund.

## **BALANCE SHEET ACTIVITY**

For the year ended September 30, 2011, cash and investments have decreased \$125,000 due to an increase in accounts receivable offset by the receipt of a \$1,691,000 malpractice premium refund from our multi-provider captive insurance company. Days cash on hand at September 30, 2011 stood at 59.3 days which is 1.2 days lower than the cash position of 60.5 days at September 30, 2010. Days in Accounts Payable at September 30, 2011 stood at 53.1 days, an increase of 2.4 days from the position at September 30, 2010 of 50.7.