

BUENA VISTA REGIONAL MEDICAL CENTER
INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2004 AND 2003

BUENA VISTA REGIONAL MEDICAL CENTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Buena Vista Regional Medical Center
Storm Lake, Iowa

We have audited the accompanying balance sheets of Buena Vista Regional Medical Center as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Buena Vista Regional Medical Center as of June 30, 2004 and 2003, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4j and 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Buena Vista Regional Medical Center

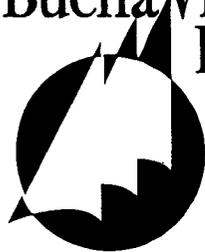
Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 22 through 38) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2004 on our consideration of Buena Vista Regional Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Stonewall, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
September 10, 2004

Buena Vista Regional Medical Center



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Buena Vista Regional Medical Center Management's Discussion and Analysis

This section of Buena Vista Regional Medical Center's (BVRMC) annual financial report presents background information and management's analysis of BVRMC's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the financial statements in this report, which follow.

Financial Highlights

- BVRMC's total assets increased by approximately \$2,375,000 or approximately 7.8%, primarily due to the financial results for the year ended June 30, 2004.
- During the year, BVRMC's total operating revenues increased approximately \$1,881,000 to \$23,323,700, or 8.8%, from the prior year while expenses increased \$1,961,000, or 9.5%, to \$22,631,900. BVRMC had income from operations of \$691,800 which is approximately 3.0% of total operating revenue. This compares to the prior fiscal year's income from operations of approximately \$771,500.
- BVRMC received approximately \$349,000 in County tax subsidies during the year that were used to fund the expense of operating 5 ambulances located in Storm Lake, Sioux Rapids, and Albert City.
- During the fiscal year, BVRMC made capital investments for a total of approximately \$4,234,700. The following is a list of significant items:

<u>Capital Investments</u>	<u>Department</u>	<u>2004 Cost</u>
CT Scanner, CR, PACS	Radiology	\$1,700,000
Construction Project	Business Office, Coffee Shop, Cardiology, Rehab, Education Center	\$1,541,000
Communication and Computer Hardware and Software	Various	\$161,000
Patient Beds (16)	Medical/Surgical & CCU	\$91,000
Operating Room Tables (2)	Surgery	\$80,000
Patient Call System	Medical/Surgical	\$67,000

The source of the funding for these projects was derived from operations, capital reserves, long-term borrowing, and Foundation fund-raising.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Required Financial Statements

The basic financial statements of BVRMC report information about BVMRC using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

- The Balance Sheets include all of BVRMC's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to BVRMC creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of BVRMC, and assessing the liquidity and financial flexibility of BVRMC.
- All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses, and Changes in Net Assets. This statement measures improvements in BVRMC's operations over the past 2 years and can be used to determine whether BVRMC has been able to recover all of its costs through its patient service revenue and other revenue sources.
- The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about BVRMC's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of BVRMC

The Balance Sheets and the Statements of Revenue, Expenses, and Changes in Net Assets report information about BVRMC's activities. These two statements report the net assets of BVRMC and changes in them. Increases or decreases in BVRMC's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in commercial insurance contracting should also be considered.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Net Assets

A summary of BVRMC's balance sheets are presented in Table 1 below:

TABLE 1 Condensed Balance Sheets				
	June 30		Dollar Change	% Change
	2004	2003		
Total current assets	\$9,015,000	\$9,014,000	\$1,000	-
Net fixed assets	18,438,200	15,893,300	2,544,900	16.0%
Other assets, including Funded Depreciation	5,268,300	5,438,900	(170,600)	(3.1%)
Total assets	\$32,721,500	\$30,346,200	\$2,375,300	7.8%
Current liabilities	\$3,515,100	\$3,780,200	(\$265,100)	(7.0%)
Long-term debt	1,258,000	524,600	733,400	139.8%
Total liabilities	4,773,100	4,304,800	468,300	10.9%
Net assets	27,948,400	26,041,400	1,907,000	7.3%
Total liabilities and net assets	\$32,721,500	\$30,346,200	\$2,375,300	7.8%

As can be seen in Table 1, total assets increased by \$2,375,500 to \$32,721,500 in fiscal year 2004, up from \$30,346,000 in fiscal year 2003. The change in total net assets results primarily from operating income in the current year.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of BVRMC's historical revenues and expenses for each of the fiscal years ended June 30, 2004 and 2003.

TABLE 2 Condensed Statement of Revenue, Expenses, and Changes in Net Assets				
	2004	2003	Dollar Change	% Change
Revenue:				
Net patient service revenue	\$22,826,600	\$20,927,700	\$1,898,900	9.1%
Other	497,100	515,000	(17,900)	(3.5%)
Net Revenue	23,323,700	21,442,700	1,881,000	8.8%
Expenses:				
Salaries and employee benefits	13,025,200	11,594,500	1,430,700	12.3%
Professional fees	1,645,500	1,624,000	21,500	1.3%
Supplies and other expenses	6,266,300	5,806,100	460,200	7.9%
Depreciation and amortization	1,694,900	1,646,600	48,300	2.9%
Total operating expenses	22,631,900	20,671,200	1,960,700	9.5%
Operating income	691,800	771,500	(79,700)	(10.3%)
Non-operating Income	561,700	686,900	(125,200)	(18.2%)
Net income	1,253,500	1,458,400	(204,900)	(14.0%)
Capital Grants and Contributions	781,900	635,600	146,300	23.0%
Operating Results Risk Sharing	(128,400)	(183,600)	55,200	30.1%
Net assets – beginning of year	26,041,400	24,131,000	1,910,400	7.9%
Net assets – end of year	\$27,948,400	\$26,041,400	\$1,907,000	7.3%

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Sources of Revenue

Operating Revenue

During fiscal year 2004, BVRMC derived the majority, or approximately 97.9%, of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in BVRMC's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes rental income, cafeteria sales, and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services, by payor, for the fiscal years ended June 30, 2004 and 2003.

Table 3 Payor Mix by Percentage		
	Year ended June 30	
	2004	2003
Medicare	56.4%	55.4%
Medicaid	5.4%	5.9%
Wellmark	18.6%	13.0%
Other Commercial	16.9%	22.7%
Self-pay and other	2.7%	3.0%
Total patient revenues	100.0%	100.0%

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Other Revenue

Other revenue includes rental income, cafeteria sales, fitness center income and other miscellaneous services.

Table 4 Other Revenue		
	Year ended June 30	
	2004	2003
Rental Income	221,200	225,200
Cafeteria/Vending	74,600	72,200
Diabetic education	47,700	48,800
Contracted Services	32,000	33,000
Other	121,600	135,800
Total	497,100	515,000

Non-operating Income

Non-operating income includes investment income and county tax subsidies. BVRMC holds funds in its balance sheets that are invested primarily in money market funds, CD's, and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$154,000 during fiscal year 2004. BVRMC also received approximately \$349,000 in county tax subsidy in fiscal year 2004.

Operating and Financial Performance

The following summarizes BVRMC's statements of revenue, expenses, and changes in net assets between 2004 and 2003:

Overall activity at BVRMC, as measured by patient admissions, decreased by 1.0% to 2,138 admissions in 2004, from 2,160 admissions in 2003. Patient days increased 8.2% over prior year from 8,914 in 2003 to 9,647 in 2004. Total outpatient visits decreased slightly from 24,179 in 2003, to 23,843 in 2004, or 1.4%.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Table 5 Patient and Hospital Statistical Data		
	Year ended June 30	
	2004	2003
Total Admissions:		
Acute	1,376	1,440
Newborn	271	261
Swing Bed	264	286
Hope Harbor	214	173
Total Days Care		
Acute	4,494	4,697
Newborn	557	533
Swing Bed	1,833	1,863
Hope Harbor	2,764	2,022
Average Daily Census		
Acute	12.3	12.9
Newborn	1.5	1.5
Swing Bed	5.0	5.1
Hope Harbor	7.6	5.5
Average Length of Stay		
Acute	3.3	3.3
Newborn	2.1	2.1
Swing Bed	5.0	5.9
Hope Harbor	12.9	12.2
Outpatient Visits	23,843	24,179
Emergency Room Visits	7,301	7,068
Total Surgical Procedures	2,253	2,061
Total Radiology Procedures	14,181	14,531
Total Laboratory Procedures	71,979	70,303
Home Health Visits	6,942	7,411
Full-time equivalents (FTE's)	281.1	270.0

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Total net patient service revenue increased \$1,898,900 or 9.1% in 2004.

Increases in net patient service revenue primarily are due to volume increases as depicted on the proceeding page, Table 5 Patient and Hospital Statistical Data. While gross patient revenue increased \$3,414,000, or 10.4% from prior year due to increased volume and rate increases, net patient service revenue only increased \$1,898,900 due to increases in contractual allowances.

Allowances increased over prior year as described in the table below:

Table 6 Allowance Summary		
	Year ended June 30	
	2004	2003
Medicare	10,338,700	9,075,700
Medicaid	1,113,500	788,600
Wellmark and other commercial	1,404,600	1,316,000
Provision for bad debts	558,500	804,400
Other Adjustments and charity care	155,700	71,200
Total	13,571,000	12,055,900

Days in accounts receivable decreased from 57.9 days in fiscal year 2003 to 53.3 days in fiscal year 2004.

Salary expenses increased \$817,800 or 8.4% to \$10,504,800 in 2004 from \$9,687,000 in 2003. As a percentage of net patient service revenue, salary expense was approximately 46.0% and 46.3% for the fiscal years ended June 2004 and 2003, respectively.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Employee benefit expense increased \$612,900, or 32.1% from prior year. Employee benefit expense represented 24.0% and 19.7% of salary expenses in fiscal years 2004 and 2003 respectively.

Supplies and other expense increased \$460,200, or 7.9% from prior year. As a percentage of net patient service revenue, supplies expense decreased to approximately 27.5% from 27.7% for fiscal years ended June 2004 and 2003, respectively.

Professional fees and Purchased services remained relatively flat compared to prior year.

Depreciation increased \$48,300, or 2.9% from \$1,646,600 in 2003, to \$1,694,900 in 2004. This increase is primarily due to the completion of the construction project.

Interest expense increased to \$23,747 in 2004, primarily due to the lease on the new radiology equipment.

Total operating expenses increased by \$1,961,000, or 9.5%, for the year ended June 30, 2004 for the reasons discussed above.

Budgetary Highlights

The official county budget of BVRMC for the year ended June 30, 2004 was prepared on a modified accrual basis. BVRMC expenditures during 2004 and 2003 did not exceed amounts budgeted.

Actual expenditures were lower than the amended budget by approximately \$925,000 due to lower than anticipated operating expenses. Actual revenues were higher than budgeted by approximately \$438,000.

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Capital Assets

During fiscal year 2004, BVRMC invested \$4,235,700 in a broad range of capital assets included in Table 7 below.

TABLE 7 Capital Assets				
	June 30		Dollar Change	% Change
	2004	2003		
Land and Land Improvements	938,300	915,900	22,400	2.4%
Buildings and Fixed Equipment	23,534,000	15,538,900	7,995,100	51.5%
Major Movable Equipment	9,778,200	9,278,300	499,900	5.4%
Subtotal	34,250,500	25,733,100	8,517,400	33.1%
Less: Accumulated Depreciation	16,549,700	15,115,600	1,434,100	9.5%
Net Property, Plant, and Equipment	17,700,800	10,617,500	7,083,300	66.7%
Construction in Progress	737,400	5,275,800	(4,538,400)	(86.0%)

Net property, plant, and equipment has significantly increased as a result of the construction project ending and the total costs transferred to the respective areas. BVRMC has enhanced existing facilities, equipment, and remodeled/expanded lab, ER, business office, lobby, coffee/gift shop, rehab, Center for Women, and new educational facilities.

In Table 8, BVRMC's fiscal year 2005 capital budget projects spending up to \$994,000 for capital projects. These projects will be financed through internal reserves. More information about BVRMC's capital assets is presented in the notes to the basic financial statements.

Table 8 Fiscal Year 2005 Capital Budget	
Facility Remodeling	306,000
Computer Hardware and Software	157,000
Surgery/Outpatients	155,000
Sleep Study Equipment	72,000
All other Capital Additions	304,000
Total	994,000

**Buena Vista Regional Medical Center
Management's Discussion and Analysis - Continued**

Long-Term Debt (including Capital Leases)

At year end, BVRMC had \$1,497,000 in short-term and long-term debt. This has increased \$901,000 from fiscal year 2003, as a result of long-term borrowing for the purchase of radiology equipment. More detailed information about BVRMC's long-term liabilities is presented in the notes to the basic financial statements. Total debt outstanding represents approximately 4.6% of BVRMC's total assets at June 30, 2004.

Contacting BVRMC's Chief Financial Officer

This financial report is designed to provide our citizens, customers, and creditors with a general overview of BVRMC's finances and to demonstrate BVRMC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

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BUENA VISTA REGIONAL MEDICAL CENTER
Balance Sheets
June 30,

ASSETS

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 3,846,540	\$ 4,121,985
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$1,976,000 in 2004, \$1,993,700 in 2003)	3,321,827	3,237,624
Other receivables	76,098	49,970
Inventory	518,761	437,423
Prepaid expense	319,580	278,354
Succeeding year property tax receivable	336,800	337,200
Internally designated assets	<u>595,315</u>	<u>551,396</u>
Total current assets	9,014,921	9,013,952
Designated and Restricted Assets:		
Internally designated assets	5,806,223	5,660,338
Restricted funds	<u>35,226</u>	<u>74,730</u>
	5,841,449	5,735,068
Less amounts required to meet current liabilities	<u>595,315</u>	<u>551,396</u>
	5,246,134	5,183,672
Capital Assets:		
Depreciable capital assets, net	17,372,780	10,289,471
Non-depreciable capital assets	<u>1,065,455</u>	<u>5,603,804</u>
	18,438,235	15,893,275
Deferred Costs	21,020	253,643
Other Assets	<u>1,170</u>	<u>1,580</u>
Total assets	<u>\$ 32,721,480</u>	<u>\$ 30,346,122</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Current maturities of capital lease obligations	\$ 238,500	\$ 71,081
Accounts payable	748,974	1,000,127
Accrued employee compensation	1,223,232	1,287,707
Payroll taxes withheld and accrued	65,030	125,122
Estimated third-party payor settlements	748,000	713,000
Due to affiliate	154,526	245,934
Deferred revenue for succeeding year property tax receivable	<u>336,800</u>	<u>337,200</u>
Total current liabilities	3,515,062	3,780,171
Long-Term Debt:		
Capital lease obligations, less current maturities	<u>1,258,026</u>	<u>524,642</u>
Total liabilities	4,773,088	4,304,813
Net Assets:		
Invested in capital assets, net of related debt	16,941,709	15,297,552
Restricted - expendable	35,226	74,730
Unrestricted	<u>10,971,457</u>	<u>10,669,027</u>
Total net assets	<u>27,948,392</u>	<u>26,041,309</u>
 Total liabilities and net assets	 <u>\$ 32,721,480</u>	 <u>\$ 30,346,122</u>

BUENA VISTA REGIONAL MEDICAL CENTER
 Statements of Revenues, Expenses and Changes in Net Assets
 Year ended June 30,

	<u>2004</u>	<u>2003</u>
Revenue:		
Net patient service revenue	\$ 22,826,566	\$ 20,927,687
Other revenue	<u>497,086</u>	<u>515,007</u>
Total revenue	23,323,652	21,442,694
Expenses:		
Nursing service	7,511,198	6,960,013
Other professional service	8,848,848	7,872,342
General service	1,632,068	1,460,254
Fiscal and administrative service	2,944,857	2,732,000
Provision for depreciation	1,673,911	1,612,571
Amortization	<u>21,021</u>	<u>34,048</u>
Total expenses	<u>22,631,903</u>	<u>20,671,228</u>
Operating Income	691,749	771,466
Non-Operating Revenues (Expenses):		
County taxes	349,010	357,169
Investment income	154,108	218,012
Noncapital grants and contributions	73,461	58,670
Rental income, net	218	2,032
Gain on disposal of equipment	8,577	50,975
Interest expense	<u>(23,647)</u>	<u>--</u>
Non-operating revenues, net	<u>561,727</u>	<u>686,858</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions and Operating Results Risk Sharing	1,253,476	1,458,324
Capital Grants and Contributions	781,945	635,546
Operating Results Risk Sharing	<u>(128,338)</u>	<u>(183,586)</u>
Increase in Net Assets	1,907,083	1,910,284
Net Assets Beginning of Year	<u>26,041,309</u>	<u>24,131,025</u>
Net Assets End of Year	<u>\$ 27,948,392</u>	<u>\$ 26,041,309</u>

The accompanying notes are an integral part of these statements.

BUENA VISTA REGIONAL MEDICAL CENTER
 Statements of Cash Flows
 Year ended June 30,

	2004	2003
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 22,751,235	\$ 22,470,030
Cash paid to suppliers	(10,962,205)	(9,638,753)
Cash paid to employees	(10,569,296)	(9,325,001)
Other revenue	497,086	515,007
Net cash provided by operating activities	1,716,820	4,021,283
Cash flows from noncapital financing activities:		
County tax revenue	349,010	357,169
Noncapital grants and contributions	73,461	58,670
Net cash provided by noncapital financing activities	422,471	415,839
Cash flows from capital and related financing activities:		
Capital grants and contributions	781,945	635,546
Proceeds of capital lease	1,613,791	--
Capital expenditures	(2,106,322)	(742,861)
Construction in progress expenditures	(2,031,574)	(3,613,054)
Principal paid on capital lease obligations	(712,988)	(67,172)
Proceeds from sale of property and equipment	24,371	85,039
Interest paid	(32,314)	(36,353)
Net cash used in capital and related financing activities	(2,463,091)	(3,738,855)
Cash flows from investing activities:		
Investment income	154,108	218,012
Change in designated and restricted assets	622,139	1,821,810
Deferred costs paid	--	(58,684)
Change in other assets	--	1,100
Rental income, net	628	2,448
Net cash provided by investing activities	776,875	1,984,686
Net increase in cash and cash equivalents	453,075	2,682,953
Cash and cash equivalents at beginning of year	5,316,597	2,633,644
Cash and cash equivalents at end of year	\$ 5,769,672	\$ 5,316,597

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 3,846,540	\$ 4,121,985
Cash and cash equivalents in designated and restricted assets	<u>1,923,132</u>	<u>1,194,612</u>
Total cash and cash equivalents	<u>\$ 5,769,672</u>	<u>\$ 5,316,597</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 691,749	\$ 771,466
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation	1,673,911	1,612,571
Amortization	21,021	34,048
Provision for bad debts	558,495	804,391
Operating results risk sharing	(128,338)	(183,586)
Changes in assets and liabilities		
Accounts receivable	(668,826)	338,952
Inventory	(81,338)	34,348
Prepaid expense	(41,226)	(22,769)
Accounts payable, trade	(127,653)	(38,894)
Accrued employee compensation	(64,475)	362,002
Payroll taxes withheld and accrued	(60,092)	45,468
Estimated third-party payor settlements	35,000	399,000
Change in due to affiliate	(91,408)	(135,714)
Total adjustments	<u>1,025,071</u>	<u>3,249,817</u>
Net cash provided by operating activities	<u>\$ 1,716,820</u>	<u>\$ 4,021,283</u>

The accompanying notes are an integral part of these statements.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Buena Vista Regional Medical Center (the Hospital) is a county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has 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 Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Buena Vista Regional Healthcare Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$634,000 (\$1,017,000 in 2003) and a decrease in the change in net assets of approximately \$383,000 (\$284,000 in 2003) for the year ended June 30, 2004.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

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

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives.

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During the year ended June 30, 2004, \$8,667 of interest was capitalized (\$36,353 in 2003).

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off accumulates to a maximum of 372 hours. Paid time off benefits stop accruing once the maximum hours are reached. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

12. Property Tax Levy

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 that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

15. Net Assets

Net assets of the Hospital are classified in four components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Outpatient services provided to Medicare beneficiaries are paid at prospectively determined rates with a hold-harmless transition period based on the Hospital's reimbursable costs. The hold-harmless transition period is scheduled to end December 31, 2005.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2004	2003
Expended but not yet released	\$ --	\$ 40,000
Purchase of property and equipment	35,226	34,730
	\$ 35,226	\$ 74,730

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2004 or 2003.

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	2004	2003
Purchase of property and equipment	\$ 821,449	\$ 713,748

NOTE D - DESIGNATED NET ASSETS

Of the \$10,971,457 (\$10,669,027 as of June 30, 2003) of unrestricted net assets as of June 30, 2004, \$5,806,223 (\$5,660,338 for 2003) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Hospital or its agent in the Hospital's name. Investments are stated as indicated in Note A.

The Hospital 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; and warrants or improvement certificates of a drainage district.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	<u>2004</u>	<u>2003</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 1,887,906	\$ 1,119,882
Certificates of deposit	3,775,075	4,254,663
U.S. government agencies	123,726	259,554
Interest receivable	<u>19,516</u>	<u>26,239</u>
	<u>\$ 5,806,223</u>	<u>\$ 5,660,338</u>
Restricted Assets:		
Cash and cash equivalents	<u>\$ 35,226</u>	<u>\$ 74,730</u>

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2004 and 2003, was as follows:

	<u>2004</u>	<u>2003</u>
Receivable from:		
Patients	\$ 1,225,733	\$ 884,050
Medicare	2,376,835	2,337,588
Medicaid	251,234	224,911
Wellmark	743,220	821,055
Other commercial insurance carriers	<u>700,805</u>	<u>963,720</u>
	5,297,827	5,231,324
Less allowances for doubtful accounts and contractual adjustments	<u>1,976,000</u>	<u>1,993,700</u>
	<u>\$ 3,321,827</u>	<u>\$ 3,237,624</u>

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2004 and 2003 were as follows:

<u>Cost</u>	<u>Balance 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2004</u>
Land Improvements	\$ 587,843	\$ 56,111	\$ 33,639	\$ 610,315
Buildings	14,614,905	6,399,344	15,876	20,998,373
Fixed Equipment	924,046	1,612,657	1,031	2,535,672
Major Movable Equipment	<u>9,278,313</u>	<u>704,902</u>	<u>205,039</u>	<u>9,778,176</u>
	25,405,107	8,773,014	255,585	33,922,536
 <u>Depreciation</u>				
Land Improvements	327,868	40,711	33,638	334,941
Buildings	7,297,842	659,834	14,470	7,943,206
Fixed Equipment	532,702	201,585	249	734,038
Major Movable Equipment	<u>6,957,224</u>	<u>771,781</u>	<u>191,434</u>	<u>7,537,571</u>
Total Depreciation	<u>15,115,636</u>	<u>1,673,911</u>	<u>239,791</u>	<u>16,549,756</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,289,471</u>	<u>\$7,099,103</u>	<u>\$ 15,794</u>	<u>\$ 17,372,780</u>
Land	\$ 328,028	\$ --	\$ --	\$ 328,028
Construction in Progress	<u>5,275,776</u>	<u>1,915,438</u>	<u>6,453,787</u>	<u>737,427</u>
Total Non-Depreciable Capital Assets	<u>\$ 5,603,804</u>	<u>\$1,915,438</u>	<u>\$6,453,787</u>	<u>\$ 1,065,455</u>

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2003</u>
Land Improvements	\$ 570,140	\$ 20,806	\$ 3,103	\$ 587,843
Buildings	14,342,086	368,257	95,438	14,614,905
Fixed Equipment	914,181	21,003	11,138	924,046
Major Movable Equipment	<u>10,656,740</u>	<u>643,840</u>	<u>2,022,267</u>	<u>9,278,313</u>
	26,483,147	1,053,906	2,131,946	25,405,107
 <u>Depreciation</u>				
Land Improvements	282,919	45,121	172	327,868
Buildings	6,827,059	555,461	84,678	7,297,842
Fixed Equipment	491,697	51,115	10,110	532,702
Major Movable Equipment	<u>7,999,272</u>	<u>960,874</u>	<u>2,002,922</u>	<u>6,957,224</u>
Total Depreciation	<u>15,600,947</u>	<u>1,612,571</u>	<u>2,097,882</u>	<u>15,115,636</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,882,200</u>	<u>\$(558,665)</u>	<u>\$ 34,064</u>	<u>\$ 10,289,471</u>
Land	\$ 328,028	\$ --	\$ --	\$ 328,028
Construction in Progress	<u>1,483,433</u>	<u>4,127,031</u>	<u>334,688</u>	<u>5,275,776</u>
Total Non-Depreciable Capital Assets	<u>\$ 1,811,461</u>	<u>\$4,127,031</u>	<u>\$ 334,688</u>	<u>\$ 5,603,804</u>

Total depreciation for the year ended June 30, 2004, including depreciation on rental property owned by the Hospital, was \$1,674,321 (\$1,612,987 in 2003). Total accumulated depreciation on the rental property was \$39,425 at June 30, 2004 (\$39,015 at June 30, 2003).

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2004 and 2003 follows:

	<u>Balance</u> <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2004</u>	<u>Current</u> <u>Portion</u>
Capital Lease Obligations	\$ 595,723	\$1,613,791	\$ 712,988	\$1,496,526	\$ 238,500
	<u>Balance</u> <u>2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2003</u>	<u>Current</u> <u>Portion</u>
Capital Lease Obligations	\$ 662,895	\$ --	\$ 67,172	\$ 595,723	\$ 71,081

Assets recorded under capital leases consist of fixed and major movable equipment items and building components with totals as follows:

	<u>2004</u>	<u>2003</u>
Cost	\$ 1,580,666	\$ 2,478,248
Less: Accumulated Amortization	<u>154,874</u>	<u>1,719,966</u>
Net Book Value	<u>\$ 1,425,792</u>	<u>\$ 758,282</u>

Scheduled principal and interest repayments on capital lease obligations are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 238,500	\$ 43,300
2006	246,100	35,700
2007	253,900	27,900
2008	261,900	19,900
2009	270,200	11,600
2010	<u>225,926</u>	<u>3,357</u>
	<u>\$ 1,496,526</u>	<u>\$ 141,757</u>

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE I - AFFILIATED ORGANIZATION

Iowa Health Systems

The Hospital has entered into an operating agreement with Iowa Health Systems (IHS). Under the agreement the Hospital's Chief Executive Officer is an employee of IHS and the Hospital reimburses IHS for the cost of the Chief Executive Officer's salaries and benefits. The Hospital also pays IHS a monthly fee, and IHS shares in the results of operations of the Hospital based on a predetermined percent of the operating income or loss of the Hospital, as defined in the agreement. Under the agreement, the IHS organization exercises joint authority over the Hospital's operations with the Hospital board. The IHS organization consults and works with the Hospital's board in formulating management strategies and recommendations regarding operations. Below is a list of year end balances and transactions between the Hospital and the joint venture for the years ended June 30, 2004 and 2003:

	2004	2003
Payable to affiliate	\$(154,526)	\$(245,934)
Fees to affiliate for personnel and services	(192,261)	(204,798)
Operating results risk sharing	(128,338)	(183,586)

NOTE J - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual salary and the Hospital is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were approximately \$582,000, \$540,800, and \$437,100, respectively, equal to the required contributions for each year.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE K - COMMITMENTS AND CONTINGENCIES

Self-Funded Health Insurance

The Hospital has established an employee health insurance fund. Under the self-insured plan, the Hospital pays claims from this fund up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2004, the Hospital has accumulated funds in excess of actual claims paid of \$48,900 (\$59,300 at June 30, 2003). These funds, shown under cash, are to be used to pay claims as they are filed in the future. The amount of unpaid claims at June 30, 2004 is approximately \$260,000 (\$153,000 at June 30, 2003).

Construction in Progress

The construction in progress balance of \$737,427 at June 30, 2004 consists of property acquired for future expansion and down payments on equipment to be put into service in the subsequent fiscal year. No material purchase commitments exist on any of these items as of the date of this report.

Geriatric Behavioral Health Unit

The Hospital has contracted with Sunstone Behavioral Health (SBH) to obtain management services for its Geriatric Behavioral Health Unit. The agreement began July 1, 2002 and runs through June 30, 2006. It is renewable for successive one year periods thereafter. Under the terms of the agreement, the Hospital has agreed to pay to SBH a monthly fee ranging from \$25,000 during the year ended June 30, 2003 to \$27,333 during the year ending June 30, 2006. In exchange for this fee, SBH will provide a program director, a medical director, other contracted professional personnel, staff training, and will participate in marketing efforts.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Buena Vista Regional Medical Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the three years ended June 30, 2004.

Employee Incentive Plan

The Hospital has established an employee incentive plan as a part of its salary package. The amount of the incentive payment is determined annually by the Hospital board and is contingent upon the Hospital achieving certain identified goals. The plan resulted in approximately \$37,000 (\$217,200 in 2003) of additional wages and benefits cost for the year ended June 30, 2004.

BUENA VISTA REGIONAL MEDICAL CENTER
Notes to Financial Statements
June 30, 2004 and 2003

NOTE L - SUBSEQUENT EVENT

Subsequent to June 30, 2004, the Hospital has agreed to sell the dialysis portion of its operations, including all related equipment. The sale is expected to result in a total recognized gain of approximately \$290,000. During the year ended June 30, 2004, the dialysis operations accounted for approximately 2.5% of the Hospital's total patient revenues (2.4% in 2003).

* * *

REQUIRED SUPPLEMENTARY INFORMATION

BUENA VISTA REGIONAL MEDICAL CENTER
 Budgetary Comparison Schedule
 Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for depreciation, amortization, risk sharing costs, plant and equipment purchases, debt payments, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 349,010	\$ --	\$ 349,010
Other revenues	23,536,369	781,945	24,318,314
Transfers in (out)	<u>821,449</u>	<u>(821,449)</u>	<u>--</u>
	24,706,828	(39,504)	24,667,324
Expenses	<u>22,760,241</u>	<u>--</u>	<u>22,760,241</u>
Net	1,946,587	(39,504)	1,907,083
Balance beginning of year	<u>25,966,579</u>	<u>74,730</u>	<u>26,041,309</u>
Balance end of year	<u>\$ 27,913,166</u>	<u>\$ 35,226</u>	<u>\$ 27,948,392</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Budget
Amount raised by taxation	\$ 349,010	\$ --	\$ 349,010	\$ 342,277
Other revenues	<u>24,318,314</u>	<u>--</u>	<u>24,318,314</u>	<u>23,884,774</u>
	24,667,324	--	24,667,324	24,227,051
Expenses	<u>22,760,241</u>	<u>3,027,614</u>	<u>25,787,855</u>	<u>26,713,233</u>
Net	1,907,083	(3,027,614)	(1,120,531)	(2,486,182)
Balance beginning of year	<u>26,041,309</u>	<u>(3,590,052)</u>	<u>22,451,257</u>	<u>22,451,257</u>
Balance end of year	<u>\$ 27,948,392</u>	<u>\$(6,617,666)</u>	<u>\$ 21,330,726</u>	<u>\$ 19,965,075</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

BUENA VISTA REGIONAL MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 2,815,515	53.14 %	\$ 2,741,081	52.40%
31 - 90	1,388,732	26.22	1,665,352	31.83
91 - 180	732,278	13.82	495,974	9.48
181 and over	<u>361,302</u>	<u>6.82</u>	<u>328,917</u>	<u>6.29</u>
	<u>5,297,827</u>	<u>100.00%</u>	<u>5,231,324</u>	<u>100.00%</u>
Allowance for doubtful accounts	429,000		406,700	
Allowance for contractual adjustments	<u>1,547,000</u>		<u>1,587,000</u>	
	<u>\$ 3,321,827</u>		<u>\$ 3,237,624</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Balance, beginning	\$ 406,700	\$ 230,000
Provision for bad debts	558,495	804,391
Recoveries of accounts previously written off	<u>372,301</u>	<u>297,385</u>
	<u>1,337,496</u>	<u>1,331,776</u>
Accounts written off	<u>908,496</u>	<u>925,076</u>
Balance, ending	<u>\$ 429,000</u>	<u>\$ 406,700</u>

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Inventory/Prepaid Expense
June 30,

	2004	2003
<u>Inventory</u>		
Central Service	\$ 222,305	\$ 220,961
Pharmacy	256,773	216,462
Surgery	39,683	--
	\$ 518,761	\$ 437,423
 <u>Prepaid Expense</u>		
Insurance	\$ 49,189	\$ 10,084
Drugs	190,400	190,400
Service contracts	46,443	46,249
Dues	13,502	12,475
Other	20,046	19,146
	\$ 319,580	\$ 278,354

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Patient Service Revenue
Year ended June 30,

	2004		
	Inpatient	Outpatient	Swing Bed
Daily Patient Services:			
Medical and surgical	\$ 1,515,209	\$ 67,504	\$ --
Obstetric	850,611	--	--
Behavioral health	--	--	--
Swing bed	--	--	394,576
Coronary care	454,181	--	--
Nursery	--	--	--
Hospice	--	--	--
	<u>2,820,001</u>	<u>67,504</u>	<u>394,576</u>
Other Nursing Services:			
Maternal child care	--	10,067	--
Operating and recovery room	1,073,244	3,314,043	--
Delivery and labor room	3,156	81,787	--
Medical and surgical supplies	302,386	378,014	14,197
Emergency service	277,303	1,107,863	2,105
Outpatient service	92,468	1,364,461	16,050
Homecare	--	254,369	--
Private duty nursing	--	27,666	--
Substance abuse	--	65,739	--
Cardiac rehabilitation	--	107,468	--
	<u>1,748,557</u>	<u>6,711,477</u>	<u>32,352</u>
Other Professional Services:			
Anesthesiology	84,690	412,565	--
Radiology	110,075	984,499	14,595
Ultrasound	154,160	687,329	8,755
Nuclear medicine	66,520	1,076,835	2,410
CT scans	178,750	987,921	600
Dialysis	2,540	611,005	--
Laboratory	616,697	1,392,971	93,091
Blood administration	75,522	53,273	3,430
Pharmacy	1,613,115	6,001,789	502,683
Electrocardiology	125,261	287,772	3,267
Electroencephalography	2,277	212,083	--
Physical therapy	68,580	645,312	118,644
Respiratory therapy	1,042,820	36,726	433,402
Ambulance	201,730	423,053	9,905
ER physicians	113,630	690,170	--
Cardiopulmonary	7,521	162,595	3,068
Occupational therapy	25,763	219,936	66,075
Speech therapy	9,556	13,708	6,437
Oncology	1,910	272,500	--
Fitness center	--	172,552	--
	<u>4,501,117</u>	<u>15,344,594</u>	<u>1,266,362</u>
	<u>\$ 9,069,675</u>	<u>\$ 22,123,575</u>	<u>\$ 1,693,290</u>

See Independent Auditor's Report.

	2004		2003	
Behavioral Health	Hospice	Total	Total	
\$ --	\$ 37,421	\$ 1,620,134	\$ 1,556,859	
--	--	850,611	291,670	
2,484,288	--	2,484,288	1,819,979	
--	--	394,576	381,750	
--	--	454,181	487,637	
--	--	--	161,205	
--	292,134	292,134	251,684	
<u>2,484,288</u>	<u>329,555</u>	<u>6,095,924</u>	<u>4,950,784</u>	
--	--	10,067	6,941	
--	--	4,387,287	4,947,696	
--	--	84,943	329,295	
504	714	695,815	286,917	
1,550	320	1,389,141	1,106,109	
5,700	725	1,479,404	1,365,080	
--	--	254,369	302,557	
--	--	27,666	24,020	
--	--	65,739	76,545	
--	--	107,468	99,254	
<u>7,754</u>	<u>1,759</u>	<u>8,501,899</u>	<u>8,544,414</u>	
--	--	497,255	524,907	
10,551	226	1,119,946	922,741	
--	--	850,244	788,840	
3,470	--	1,149,235	1,037,355	
6,000	--	1,173,271	975,792	
--	--	613,545	461,620	
131,537	1,979	2,236,275	2,026,507	
--	731	132,956	127,257	
377,297	80,517	8,575,401	7,756,591	
9,027	110	425,437	375,506	
--	--	214,360	155,599	
16,489	--	849,025	609,058	
27,815	11,325	1,552,088	1,567,798	
1,246	2,310	638,244	582,211	
1,770	250	805,820	760,870	
863	--	174,047	157,838	
950	--	312,724	220,383	
3,241	--	32,942	54,211	
--	--	274,410	242,891	
--	--	172,552	140,381	
<u>590,256</u>	<u>97,448</u>	<u>21,799,777</u>	<u>19,488,356</u>	
<u>\$ 3,082,298</u>	<u>\$ 428,762</u>	<u>\$ 36,397,600</u>	<u>\$ 32,983,554</u>	

BUENA VISTA REGIONAL MEDICAL CENTER
Revenue and Related Adjustments
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Net Patient Service Revenue:		
Patient service revenue	\$ 36,397,600	\$ 32,983,554
Contractual adjustments, Medicare and Medicaid	(11,452,305)	(9,864,259)
Other contractual adjustments	(1,404,566)	(1,316,081)
Provision for bad debts	(558,495)	(804,391)
Other charity service	(155,668)	(71,136)
	<u>\$ 22,826,566</u>	<u>\$ 20,927,687</u>
Other Revenue:		
Meals on Wheels	\$ 23,115	\$ 22,557
Purchase discounts	5,343	6,447
Cafeteria sales	71,109	69,637
Catering sales	3,519	2,538
Diet instruction	11,880	16,748
Medical record transcripts	2,402	2,164
Rental fees	221,228	225,244
Utilization review	2,325	2,975
Senior wellness	9,280	20,102
Lifeline	31,180	28,875
Diabetic education	47,718	48,834
Contracted services	32,081	32,958
Reimbursement for school nurse	31,648	30,288
Miscellaneous income	4,258	5,640
	<u>\$ 497,086</u>	<u>\$ 515,007</u>

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Nursing Service Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Nursing Administration:		
Salaries and wages	\$ 141,776	\$ 136,196
Employee benefits	34,079	30,121
Supplies and other expense	<u>7,069</u>	<u>2,922</u>
	182,924	169,239
Medical and Surgical:		
Salaries and wages	1,247,861	1,186,995
Employee benefits	307,009	231,842
Supplies and other expense	<u>83,789</u>	<u>73,837</u>
	1,638,659	1,492,674
Obstetric:		
Salaries and wages	425,824	426,149
Employee benefits	104,770	83,388
Professional fees	440	440
Supplies and other expense	<u>48,306</u>	<u>36,829</u>
	579,340	546,806
Behavioral Health:		
Salaries and wages	593,567	422,596
Employee benefits	144,726	81,830
Professional fees	309,330	300,000
Supplies and other expense	<u>36,774</u>	<u>26,681</u>
	1,084,397	831,107
Coronary Care:		
Salaries and wages	289,084	264,226
Employee benefits	70,052	47,707
Supplies and other expense	<u>23,241</u>	<u>21,239</u>
	382,377	333,172
Hospice:		
Salaries and wages	104,741	113,814
Employee benefits	26,212	22,432
Professional fees	7,450	18,403
Supplies and other expense	<u>25,271</u>	<u>20,237</u>
	163,674	174,886

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Maternal Child Care:		
Salaries and wages	\$ 79,344	\$ 60,401
Employee benefits	19,065	11,883
Supplies and other expense	<u>5,291</u>	<u>6,557</u>
	103,700	78,841
Operating and Recovery Room:		
Salaries and wages	372,540	369,880
Employee benefits	92,030	82,901
Professional fees	26,561	27,227
Supplies and other expense	<u>464,307</u>	<u>405,047</u>
	955,438	885,055
Medical and Surgical Supplies:		
Salaries and wages	51,191	42,962
Employee benefits	12,853	8,819
Supplies and other expense	<u>403,662</u>	<u>586,394</u>
	467,706	638,175
Emergency Service:		
Salaries and wages	369,331	357,594
Employee benefits	92,243	87,574
Supplies and other expense	<u>47,690</u>	<u>47,214</u>
	509,264	492,382
Outpatient Service:		
Salaries and wages	509,925	462,814
Employee benefits	126,123	92,379
Supplies and other expense	<u>108,510</u>	<u>100,791</u>
	744,558	655,984
Homecare:		
Salaries and wages	294,846	280,743
Employee benefits	71,748	58,675
Professional fees	383	--
Supplies and other expense	<u>31,595</u>	<u>31,334</u>
	398,572	370,752

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
Nursing Service Expenses - Continued
Year ended June 30,

	2004	2003
Private Duty Nursing:		
Salaries and wages	\$ 26,961	\$ 19,271
Employee benefits	6,845	3,695
Supplies and other expense	3,541	2,746
	37,347	25,712
Substance Abuse:		
Salaries and wages	79,004	87,000
Employee benefits	19,767	16,453
Professional fees	400	1,325
Supplies and other expense	4,265	6,728
	103,436	111,506
Cardiac Rehabilitation:		
Salaries and wages	92,320	77,707
Employee benefits	22,313	13,779
Supplies and other expense	10,898	7,553
	125,531	99,039
Day Care:		
Salaries and wages	19,917	37,834
Employee benefits	4,837	8,172
Supplies and other expense	1,867	3,634
	26,621	49,640
Lifeline:		
Salaries and wages	2,534	1,640
Employee benefits	686	315
Supplies and other expense	4,434	3,088
	7,654	5,043
	\$ 7,511,198	\$ 6,960,013

SUMMARY

Salaries and wages	\$ 4,700,766	\$ 4,347,822
Employee benefits	1,155,358	881,965
Professional fees	344,564	347,395
Supplies and other expense	1,310,510	1,382,831
	\$ 7,511,198	\$ 6,960,013

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Other Professional Service Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Anesthesiology:		
Supplies and other expense	\$ 18,209	\$ 23,271
Radiology:		
Salaries and wages	551,409	447,555
Employee benefits	127,193	90,755
Professional fees	27,886	34,596
Supplies and other expense	<u>286,952</u>	<u>211,557</u>
	993,440	784,463
Ultrasound:		
Professional fees	720	--
Supplies and other expense	<u>13,284</u>	<u>17,700</u>
	14,004	17,700
Nuclear Medicine:		
Purchased services	385,430	380,579
Supplies and other expense	<u>1,819</u>	<u>2,822</u>
	387,249	383,401
CT Scans:		
Supplies and other expense	45,611	32,626
Dialysis:		
Salaries and wages	173,166	120,477
Employee benefits	41,706	25,072
Professional fees	18,000	18,000
Supplies and other expense	<u>97,358</u>	<u>83,857</u>
	330,230	247,406
Laboratory:		
Salaries and wages	457,067	415,642
Employee benefits	112,581	86,278
Professional fees	5,322	4,731
Purchased services	116,564	109,174
Supplies and other expense	<u>262,380</u>	<u>255,945</u>
	953,914	871,770
Blood Administration:		
Supplies and other expense	75,418	64,825

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Pharmacy:		
Salaries and wages	\$ 226,670	\$ 188,994
Employee benefits	53,439	38,902
Professional fees	490	1,237
Drugs	1,989,368	1,772,132
Supplies and other expense	<u>41,990</u>	<u>36,692</u>
	2,311,957	2,037,957
Electrocardiology:		
Salaries and wages	48,195	55,761
Employee benefits	11,703	9,861
Purchased services	16,230	17,265
Supplies and other expense	<u>10,236</u>	<u>5,575</u>
	86,364	88,462
Electroencephalography:		
Salaries and wages	55,506	40,614
Employee benefits	13,406	7,982
Supplies and other expense	<u>5,948</u>	<u>6,907</u>
	74,860	55,503
Physical Therapy:		
Salaries and wages	352,819	334,650
Employee benefits	86,025	66,685
Supplies and other expense	<u>67,527</u>	<u>36,081</u>
	506,371	437,416
Respiratory Therapy:		
Salaries and wages	162,081	104,251
Employee benefits	39,504	22,038
Supplies and other expense	<u>59,640</u>	<u>43,926</u>
	261,225	170,215
Ambulance:		
Salaries and wages	378,263	353,794
Employee benefits	93,120	73,918
Supplies and other expense	<u>39,460</u>	<u>44,264</u>
	510,843	471,976
ER Physicians:		
Professional fees	576,008	562,892
Supplies and other expense	<u>3,828</u>	<u>3,513</u>
	579,836	566,405

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
 Other Professional Service Expenses - Continued
 Year ended June 30,

	<u>2004</u>	<u>2003</u>
Cardiopulmonary:		
Salaries and wages	\$ 26,808	\$ 64,183
Employee benefits	6,951	12,024
Supplies and other expense	<u>4,737</u>	<u>14,077</u>
	38,496	90,284
Occupational Therapy:		
Salaries and wages	187,345	123,823
Employee benefits	46,503	29,503
Supplies and other expense	<u>16,139</u>	<u>12,048</u>
	249,987	165,374
Speech Therapy:		
Salaries and wages	2,541	61,121
Employee benefits	936	10,765
Supplies and other expense	<u>17,191</u>	<u>4,228</u>
	20,668	76,114
Oncology:		
Salaries and wages	255,079	276,887
Employee benefits	65,005	61,091
Supplies and other expense	<u>22,582</u>	<u>22,482</u>
	342,666	360,460
Fitness Center:		
Salaries and wages	118,181	114,751
Employee benefits	29,359	23,259
Professional fees	17,656	35,348
Supplies and other expense	<u>56,928</u>	<u>69,663</u>
	222,124	243,021
Medical Records:		
Salaries and wages	276,424	301,112
Employee benefits	67,308	60,605
Supplies and other expense	<u>146,382</u>	<u>108,271</u>
	490,114	469,988

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
 Other Professional Service Expenses - Continued
 Year ended June 30,

	2004	2003
Specialty Clinics:		
Salaries and wages	\$ 29,231	\$ 30,190
Employee benefits	7,111	5,326
Professional fees	--	4,500
Supplies and other expense	34,934	30,896
	71,276	70,912
Women's Center:		
Salaries and wages	72,545	--
Employee benefits	17,150	--
Supplies and other expense	19,952	--
	109,647	--
Diabetic Education:		
Salaries and wages	70,089	65,957
Employee benefits	17,203	13,058
Supplies and other expense	4,591	3,859
	91,883	82,874
Infection Control:		
Salaries and wages	46,389	46,383
Employee benefits	11,860	9,844
Supplies and other expense	4,207	3,692
	62,456	59,919
	\$ 8,848,848	\$ 7,872,342

SUMMARY

Salaries and wages	\$ 3,489,808	\$ 3,146,145
Employee benefits	848,063	646,966
Professional fees	646,082	661,304
Purchased services	518,224	507,018
Supplies and other expense	3,346,671	2,910,909
	\$ 8,848,848	\$ 7,872,342

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
 General Service Expenses
 Year ended June 30,

	<u>2004</u>	<u>2003</u>
Dietary:		
Salaries and wages	\$ 242,727	\$ 231,386
Employee benefits	59,485	51,533
Food	93,760	90,634
Supplies and other expense	<u>27,233</u>	<u>21,955</u>
	423,205	395,508
Operation of Plant:		
Salaries and wages	217,185	194,079
Employee benefits	52,280	39,405
Utilities	278,242	242,868
Purchased services	43,815	33,222
Supplies and other expense	<u>87,384</u>	<u>77,739</u>
	678,906	587,313
Housekeeping:		
Salaries and wages	313,035	292,301
Employee benefits	77,055	59,266
Supplies and other expense	<u>40,927</u>	<u>33,693</u>
	431,017	385,260
Laundry and Linen:		
Supplies and other expense	<u>98,940</u>	<u>92,173</u>
	<u>\$ 1,632,068</u>	<u>\$ 1,460,254</u>

SUMMARY

Salaries and wages	\$ 772,947	\$ 717,766
Employee benefits	188,820	150,204
Supplies and other expense	<u>670,301</u>	<u>592,284</u>
	<u>\$ 1,632,068</u>	<u>\$ 1,460,254</u>

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Administrative:		
Salaries and wages	\$ 358,064	\$ 250,057
Employee benefits	44,084	28,077
Professional fees	121,356	100,669
Dues	30,118	26,116
Telephone	107,544	103,130
Supplies and other expense	<u>255,887</u>	<u>219,398</u>
	917,053	727,447
Fiscal Service:		
Salaries and wages	112,264	108,840
Employee benefits	27,330	21,601
Supplies and other expense	<u>12,073</u>	<u>11,151</u>
	151,667	141,592
Business Office:		
Salaries and wages	432,830	415,052
Employee benefits	104,546	82,173
Supplies and other expense	<u>107,849</u>	<u>98,374</u>
	645,225	595,599
Information Technology:		
Salaries and wages	164,880	129,948
Employee benefits	39,710	26,500
Supplies and other expense	<u>68,725</u>	<u>100,558</u>
	273,315	257,006
Quality Improvement/Utilization Review:		
Salaries and wages	120,682	89,334
Employee benefits	28,302	14,464
Professional fees	875	3,814
Supplies and other expense	<u>52,183</u>	<u>36,495</u>
	202,042	144,107
Public Relations:		
Salaries and wages	76,145	18,666
Employee benefits	18,695	3,783
Supplies and other expense	<u>85</u>	<u>278</u>
	94,925	22,727
Marketing:		
Salaries and wages	86,213	79,911
Employee benefits	21,561	16,240
Supplies and other expense	<u>97,868</u>	<u>104,921</u>
	205,642	201,072

(continued next page)

BUENA VISTA REGIONAL MEDICAL CENTER
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	2004	2003
Purchasing:		
Salaries and wages	\$ 106,670	\$ 102,872
Employee benefits	26,317	21,737
Supplies and other expense	3,682	4,649
	136,669	129,258
Personnel:		
Salaries and wages	75,821	63,437
Employee incentive plan	7,731	217,153
Employee benefits	17,571	13,753
Professional fees	14,353	3,845
Supplies and other expense	55,625	87,139
	171,101	385,327
Liability and Property Insurance	147,218	127,865
	\$ 2,944,857	\$ 2,732,000

SUMMARY

Salaries and wages	\$ 1,541,300	\$ 1,475,270
Employee benefits	328,116	228,328
Professional fees	136,584	108,328
Supplies and other expense	938,857	920,074
	\$ 2,944,857	\$ 2,732,000

SUMMARY OF EXPENSES

Salaries and wages	\$ 10,504,821	\$ 9,687,003
Employee benefits	2,520,357	1,907,463
Professional fees	1,127,230	1,117,027
Purchased services	518,224	507,018
Supplies and other expense	6,266,339	5,806,098
	\$ 20,936,971	\$ 19,024,609

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Acute Care:					
Admissions	1,376	1,440	1,485	1,491	1,394
Discharges	1,371	1,444	1,477	1,494	1,398
Patient Days	4,494	4,697	4,397	4,091	4,096
Average Length of Stay	3.28	3.25	2.98	2.74	2.93
Average Occupied Beds	12.3	12.9	12.0	11.2	11.2
Psychiatric Unit:					
Admissions	214	173	--	--	--
Discharges	215	166	--	--	--
Patient Days	2,764	2,022	--	--	--
Average Length of Stay	12.9	12.2	--	--	--
Swing Bed:					
Admissions	264	288	294	257	263
Discharges	265	286	294	253	263
SNF Days	1,786	1,763	1,875	1,600	2,381
ICF Days	47	100	584	118	122
Combined Average Occupied Beds	24.8	23.5	18.8	15.9	18.0
Nursery Days	557	533	475	444	489
Outpatient Visits	23,843	24,179	25,056	21,666	20,076
Home Health Visits	4,794	5,402	4,383	3,622	3,523

See Independent Auditor's Report.

BUENA VISTA REGIONAL MEDICAL CENTER
Comparative Balance Sheets
June 30,

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 3,846,540	\$ 4,121,985
Receivables	3,397,925	3,287,594
Inventory	518,761	437,423
Prepaid expense	319,580	278,354
Succeeding year property tax receivable	336,800	337,200
Internally designated assets	<u>595,315</u>	<u>551,396</u>
Total current assets	9,014,921	9,013,952
 Other Assets:		
Internally designated and restricted assets, net	5,246,134	5,183,672
Capital assets, net	18,438,235	15,893,275
Other non-current assets	<u>22,190</u>	<u>255,223</u>
	<u>23,706,559</u>	<u>21,332,170</u>
	<u>\$ 32,721,480</u>	<u>\$ 30,346,122</u>
 Current Liabilities:		
Current maturities	\$ 238,500	\$ 71,081
Payables	903,500	1,246,061
Accrued expenses	1,288,262	1,412,829
Estimated third-party payor settlements	748,000	713,000
Deferred revenue from succeeding year property tax receivable	<u>336,800</u>	<u>337,200</u>
Total current liabilities	3,515,062	3,780,171
 Long-Term Debt, Net	<u>1,258,026</u>	<u>524,642</u>
Total liabilities	4,773,088	4,304,813
 Net Assets	<u>27,948,392</u>	<u>26,041,309</u>
	<u>\$ 32,721,480</u>	<u>\$ 30,346,122</u>

See Independent Auditor's Report.

<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 1,605,732	\$ 482,394	\$ 360,818
4,430,937	4,237,607	3,964,592
471,771	464,459	447,396
255,585	221,038	41,950
337,100	336,500	336,100
<u>93,505</u>	<u>70,815</u>	<u>274,525</u>
7,194,630	5,812,813	5,425,381
7,296,673	6,972,158	5,348,453
12,693,661	12,501,688	13,373,198
<u>232,103</u>	<u>198,937</u>	<u>61,307</u>
<u>20,222,437</u>	<u>19,672,783</u>	<u>18,782,958</u>
<u>\$ 27,417,067</u>	<u>\$ 25,485,596</u>	<u>\$ 24,208,339</u>
\$ 67,171	\$ 63,476	\$ 59,985
966,688	782,410	712,893
1,005,359	956,712	738,535
314,000	111,000	412,000
<u>337,100</u>	<u>336,500</u>	<u>336,100</u>
2,690,318	2,250,098	2,259,513
<u>595,724</u>	<u>662,895</u>	<u>726,371</u>
3,286,042	2,912,993	2,985,884
<u>24,131,025</u>	<u>22,572,603</u>	<u>21,222,455</u>
<u>\$ 27,417,067</u>	<u>\$ 25,485,596</u>	<u>\$ 24,208,339</u>

BUENA VISTA REGIONAL MEDICAL CENTER
 Comparative Statements of Revenues, Expenses and Changes in Net Assets
 Year ended June 30,

	<u>2004</u>	<u>2003</u>
Patient Service Revenue	\$ 36,397,600	\$ 32,983,554
Adjustments to Patient Service Revenue	<u>(13,571,034)</u>	<u>(12,055,867)</u>
Net Patient Service Revenue	22,826,566	20,927,687
Other Revenue	<u>497,086</u>	<u>515,007</u>
Total Revenue	23,323,652	21,442,694
Expenses	<u>22,631,903</u>	<u>20,671,228</u>
Operating Income	691,749	771,466
Non-Operating Revenues, Net	<u>561,727</u>	<u>686,858</u>
Excess of Revenues Over Expenses	1,253,476	1,458,324
Capital Grants and Contributions	781,945	635,546
Operating Results Risk Sharing	(128,338)	(183,586)
Amounts Released from Restrictions	<u> --</u>	<u> --</u>
Increase in Net Assets	<u>\$ 1,907,083</u>	<u>\$ 1,910,284</u>

* Amounts have not been reclassified to show the effects of Government Accounting Standards Board Statements No. 34, 37 and 38.

See Independent Auditor's Report.

<u>2002</u>	<u>2001*</u>	<u>2000*</u>
\$ 27,427,408	\$ 24,106,053	\$ 21,119,050
<u>(9,117,788)</u>	<u>(6,613,924)</u>	<u>(5,410,135)</u>
18,309,620	17,492,129	15,708,915
<u>482,101</u>	<u>825,895</u>	<u>785,026</u>
18,791,721	18,318,024	16,493,941
<u>17,690,927</u>	<u>17,233,476</u>	<u>15,965,899</u>
1,100,794	1,084,548	528,042
<u>649,051</u>	<u>388,192</u>	<u>284,785</u>
1,749,845	1,472,740	812,827
107,875	--	--
(299,298)	(168,492)	(32,902)
<u>--</u>	<u>124,009</u>	<u>139,602</u>
<u>\$ 1,558,422</u>	<u>\$ 1,428,257</u>	<u>\$ 919,527</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Trustees
Buena Vista Regional Medical Center
Storm Lake, Iowa

We have audited the financial statements of Buena Vista Regional Medical Center as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Buena Vista Regional Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. 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. Prior year statutory comments have been resolved except for item 04-II-C.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buena Vista Regional Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Buena Vista Regional Medical Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

To the Board of Trustees
Buena Vista Regional Medical Center

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of Buena Vista Regional Medical Center and other parties to whom the Hospital may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gronewold, Bell, Kylvum & Co. P.C.

Atlantic, Iowa
September 10, 2004

BUENA VISTA REGIONAL MEDICAL CENTER
Schedule of Findings
Year ended June 30, 2004

PART I - REPORTABLE CONDITIONS

04-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

04-II-A Official Depositories: A resolution naming official depositories has been adopted by the Board. During the audit, no deposits in excess of the limits were noted.

04-II-B Certified Budget: Hospital expenditures during the year ended June 30, 2004 did not exceed amounts budgeted.

04-II-C Questionable Expenses: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated March 12, 1975. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee recognition banquet	\$ 11,175

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Hospital feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated March 12, 1975.

Conclusion: Response accepted.

BUENA VISTA REGIONAL MEDICAL CENTER
Schedule of Findings - Continued
Year ended June 30, 2004

PART II - REQUIRED STATUTORY REPORTING - Continued

04-II-D Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

04-II-E Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

04-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

04-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

* * *