

**Crawford County Memorial Hospital
Denison, Iowa**

FINANCIAL REPORT

June 30, 2004

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**Crawford County Memorial Hospital
OFFICIALS
June 30, 2004**

BOARD OF TRUSTEES

Expiration of term

Officers

Scott Tibben, President

December 31, 2006

Roger Lorenger, Vice President

December 31, 2004

Marsha Losh, Secretary

December 31, 2008

Steve Vary, Treasurer

December 31, 2008

Members

Louis Cass

December 31, 2008

Virgil Johnson

December 31, 2006

Allen Nepper

December 31, 2004

CHIEF EXECUTIVE OFFICER

Ed Gast

CHIEF FINANCIAL OFFICER

Larry Brown

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the accompanying balance sheets of Crawford County Memorial Hospital as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in fund equity, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crawford County Memorial Hospital as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Hospital adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended June 30, 2004.

The management's discussion and analysis on pages 5-10 is not a required part of the basic financial statements but is supplementary information required by the Government 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2004 on our consideration of Crawford County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 20, 2004

Crawford County Memorial Hospital MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Crawford County Memorial Hospital, we offer readers of the financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2004 and 2003. Please read it in conjunction with the Hospital's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements of the Hospital, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Hospital report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The balance sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources, assets, and the obligations to Hospital's creditors, liabilities. It also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in fund equity. This statement measures the success of the Hospital operations over the past year and can be used to determine whether the Hospital has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

- Total assets decreased by \$1,033,874 or 7% to \$14,524,182
- Total assets whose use is limited decreased by \$390,487 to \$3,564,644
- Total property and equipment decreased by \$85,736 to \$6,582,030
- Total fund equity decreased by \$431,963 to \$11,759,402
- Total long-term debt decreased by \$213,766 to \$869,693
- Net patient service revenue decreased by \$305,729, or 3% primarily due to an increase in contractual adjustments and bad debts
- Expenses increased by \$823,484, or 7% to \$12,496,897

Financial Analysis of the Hospital

The balance sheet and the statement of revenues, expenses, and changes in fund equity report the net assets of the Hospital and the changes in them. The Hospital's net assets, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

A summary of the Hospital's balance sheets is presented in Table 1.

Table 1
Condensed Balance Sheets

	June 30	
	2004	2003
Current assets	\$ 3,817,508	\$ 4,375,159
Assets whose use is limited	3,564,644	3,955,131
Property and equipment	6,582,030	6,667,766
Other asset	<u>560,000</u>	<u>560,000</u>
Total assets	<u>\$14,524,182</u>	<u>\$15,558,056</u>
Current liabilities	\$ 1,556,257	\$ 1,936,998
Long-term debt, less current maturities	648,523	869,693
Other noncurrent liabilities	<u>560,000</u>	<u>560,000</u>
Total liabilities	<u>\$ 2,764,780</u>	<u>\$ 3,366,691</u>
Invested in capital assets, net of related debt	\$ 5,712,337	\$ 5,584,307
Unrestricted	<u>6,047,065</u>	<u>6,607,058</u>
Total fund equity	<u>\$11,759,402</u>	<u>\$12,191,365</u>

As depicted in Table 1, total assets decreased in fiscal year 2004 to \$14,524,182. The change in total assets results primarily from a reduction in cash and investments due to payment of current liabilities recorded at June 30, 2003.

Revenues, Expenses, and Changes in Fund Equity

A summary of the Hospital's historical revenues, expenses, and changes in fund equity is presented in Table 2.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Fund Equity

	Year ended June 30	
	2004	2003
Net patient service revenue	\$11,221,667	\$11,527,396
Other revenue	205,058	179,479
Total operating revenue	<u>11,426,725</u>	<u>11,706,875</u>
Salaries	6,178,693	5,810,717
Other expenses	5,390,961	4,998,226
Provision for depreciation	927,243	864,470
Total expenses	<u>12,496,897</u>	<u>11,673,413</u>
Operating income (loss)	<u>(1,070,172)</u>	<u>33,462</u>
County taxes	573,901	501,054
Investment income	82,934	114,954
Unrestricted contributions	15,000	15,050
Interest expense	<u>(33,626)</u>	<u>(26,648)</u>
Total nonoperating gains (losses)	<u>638,209</u>	<u>604,410</u>
Change in fund equity	(431,963)	637,872
Total fund equity, beginning	<u>12,191,365</u>	<u>11,553,493</u>
Total fund equity, ending	<u>\$11,759,402</u>	<u>\$12,191,365</u>

Operating and Financial Performance

The following summarizes the Hospital's statement of revenue, expenses and changes in fund equity between June 30, 2004 and 2003.

Net Patient Service Revenue: Net patient service revenue is a product of volume, price increases and payor mix.

Volume: Adult and pediatric discharges for fiscal year 2004 were 757 compared to 810 in fiscal year 2003. Average length of stay decreased slightly as patient days declined to 2,103 from 2,313 in 2003. Volume on the outpatient side indicated positive growth in 2004. In 2004, gross outpatient charges increased to \$14,492,920 compared to \$13,051,370 in 2003. Laboratory, CT scans and clinic ancillary services reflected the most significant growth in 2004.

Price Increase: As is customary annually, the Hospital did review its charge structure and incorporate certain price increases in 2004. Overall, gross patient service revenue increased to \$18,478,133 from \$17,326,219 in 2003.

Payor Mix: Medicare reimburses hospitals and health systems under the prospective payment system. Payment are determined in advance for inpatients using a DRG, diagnostic related groups, system and outpatients are assigned to an APC, ambulatory payment classification. Sixty percent of the prospectively determined rate, is comprised of labor costs, wage index, and the remaining forty percent is the nonlabor portion. These rates are adjusted annually, based on information compiled from cost reports on file with the Medicare program. Historically, the rate adjustments have been slightly behind the Hospital's price increases, resulting in a higher contractual adjustments or the difference between charges and the payment rate. Contractual adjustments increased to \$7,201,644 from \$5,570,582 in 2003. This represents 39% of gross patient charges. Medicaid and Wellmark employ similar payment methodologies.

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

Table 3
Payor Mix by Percentage

	Year ended June 30	
	2004	2003
Medicare	51%	52%
Medicaid	9	11
Wellmark	15	13
Commercial insurance	14	14
Self pay	<u>11</u>	<u>10</u>
Totals	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$205,058 in 2004 compared to \$179,479 in 2003, primarily due to increased wellness revenue and miscellaneous income.

Expenses

Approximately 50% of Hospital's expenses are for salaries. Total salaries increased by 6% to \$6,178,693 in 2004 from \$5,810,717 in 2003. The Hospital departments experiencing the most significant increase in 2004 included fiscal and administrative service.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 8% to \$5,390,961 in 2004 from \$4,998,226 in 2003. The most significant increase related to fiscal and administrative service and insurance costs.

Approximately 5% of Hospital's expenses relate to provision for depreciation. This provision for depreciation increased to \$927,243 in 2004 from \$864,470 in 2003.

Nonoperating Gains

Nonoperating gains increased to \$638,209 from \$604,410 in 2003, primarily due to an increase in county taxes.

Property and Equipment

At the end of 2004, the Hospital had \$6,582,030 invested in property and equipment, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in property and equipment. In 2004, \$841,507 was spent to acquire new equipment.

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

Table 4
Property and Equipment

	June 30		Change
	2004	2003	
Land	\$ 15,350	\$ 15,350	\$ -
Land improvements	475,053	461,760	13,293
Building	3,995,124	3,856,003	139,121
Fixed equipment	3,550,811	3,550,811	-
Major movable equipment	7,252,967	6,700,763	552,204
Medical office building	<u>1,390,030</u>	<u>1,390,030</u>	<u>-</u>
Subtotal	16,679,335	15,974,717	704,618
Less accumulated depreciation	<u>(10,097,305)</u>	<u>(9,306,951)</u>	<u>(790,354)</u>
Property and equipment	<u>\$ 6,582,030</u>	<u>\$ 6,667,766</u>	<u>\$ (85,736)</u>

Debt Administration

At year end, the Hospital had \$869,693 in current and long-term debt related to note payable, equipment. This has decreased by \$213,766 in fiscal year 2004, which was the required amount of principal payment on the note for fiscal year 2004. More detailed information about the Hospital's outstanding debt is presented in the Notes to Financial Statements. Note that the note represents 31% of the Hospital's total liabilities as of year end.

Performance Compared to County Hospital Budget

The Hospital prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP basis are presented in the Notes to Financial Statements. A comparison of the Hospital's fiscal year 2004 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs Budget

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 573,901	\$ 559,622	\$ 14,279
Other revenues/receipts	<u>11,524,659</u>	<u>12,339,094</u>	<u>(814,435)</u>
	12,098,560	12,898,716	(800,156)
Expenses/expenditures	<u>12,658,553</u>	<u>13,646,214</u>	<u>987,661</u>
Net	<u>\$ (559,993)</u>	<u>\$ (747,498)</u>	<u>\$ 187,505</u>

Performance Compared to County Hospital Budget (continued)

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less net patient service revenue due to increased contractual adjustments and bad debts. Expenses/expenditures were lower than County Hospital budget primarily due to less acquisition of property and equipment.

Economic and Other Factors and Next Year's Budget

The Hospital's board and management considered many factors when setting the fiscal year 2004 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payers, especially Wellmark Blue Cross
- Cost of supplies
- Privacy legislation, HIPAA
- Facility expansion and growth in demand for services
- Technology advancements

Contacting Hospital's Management

This financial report is designed to provide users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about this report or need additional information, contact Crawford County Memorial Hospital at (712) 263-5021 or write care of: Chief Financial Officer, Crawford County Memorial Hospital, 2020 First Avenue South, Denison, Iowa 51442.

**Crawford County Memorial Hospital
BALANCE SHEETS**

	June 30	
ASSETS	2004	2003
<u>General Funds</u>		
CURRENT ASSETS		
Cash	\$ 801,986	\$ 1,084,259
Patient receivables, less allowances for contractual adjustments and uncollectibles	2,674,772	2,872,412
Other receivables	9,332	8,554
Estimated third-party payor settlements	-	40,000
Inventories	151,542	168,949
Prepaid expenses	129,376	111,985
Notes receivable	<u>50,500</u>	<u>89,000</u>
Total current assets	<u>3,817,508</u>	<u>4,375,159</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	3,546,328	3,932,285
Interest receivable	<u>18,316</u>	<u>22,846</u>
Total assets whose use is limited	<u>3,564,644</u>	<u>3,955,131</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	16,679,335	15,974,717
Total property and equipment	<u>10,097,305</u>	<u>9,306,951</u>
	<u>6,582,030</u>	<u>6,667,766</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>560,000</u>	<u>560,000</u>
Totals	<u>\$14,524,182</u>	<u>\$15,558,056</u>

LIABILITIES AND FUND BALANCE		<u>June 30</u>	
		<u>2004</u>	<u>2003</u>
<u>General Funds</u>			
CURRENT LIABILITIES			
Current maturities of long-term debt		\$ 221,170	\$ 213,766
Accounts payable		756,779	1,267,623
Accrued employee compensation		555,922	453,758
Payroll taxes and amounts withheld from employees		22,386	1,851
Total current liabilities		<u>1,556,257</u>	<u>1,936,998</u>
LONG-TERM DEBT , less current maturities		<u>648,523</u>	<u>869,693</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE		<u>560,000</u>	<u>560,000</u>
FUND EQUITY			
Invested in capital assets, net of related debt		5,712,337	5,584,307
Unrestricted		<u>6,047,065</u>	<u>6,607,058</u>
Total fund equity		<u>11,759,402</u>	<u>12,191,365</u>
Totals		<u>\$14,524,182</u>	<u>\$15,558,056</u>

Crawford County Memorial Hospital
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

	Year ended June 30	
	2004	2003
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2004 \$373,083; 2003 \$228,187	\$11,221,667	\$11,527,396
OTHER REVENUE	<u>205,058</u>	<u>179,479</u>
Total revenue	<u>11,426,725</u>	<u>11,706,875</u>
OPERATING EXPENSES		
Nursing service	2,653,105	2,460,309
Other professional service	5,237,246	5,046,110
General service	1,072,012	1,003,340
Fiscal and administrative service and unassigned expenses	2,607,291	2,299,184
Provision for depreciation	<u>927,243</u>	<u>864,470</u>
Total operating expenses	<u>12,496,897</u>	<u>11,673,413</u>
Operating income (loss)	<u>(1,070,172)</u>	<u>33,462</u>
NONOPERATING GAINS (LOSSES)		
County taxes	573,901	501,054
Investment income	82,934	114,954
Unrestricted contributions	15,000	15,050
Interest expense	<u>(33,626)</u>	<u>(26,648)</u>
Total nonoperating gains (losses)	<u>638,209</u>	<u>604,410</u>
Change in fund equity	<u>(431,963)</u>	<u>637,872</u>
TOTAL FUND EQUITY		
Beginning	<u>12,191,365</u>	<u>11,553,493</u>
Ending	<u>\$11,759,402</u>	<u>\$12,191,365</u>

**Crawford County Memorial Hospital
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$11,459,307	\$11,088,170
Cash paid to suppliers for goods and services	(5,407,744)	(4,913,222)
Cash paid to employees for services	(6,076,529)	(5,761,253)
Other operating revenue received	<u>205,058</u>	<u>179,479</u>
Net cash provided by operating activities	<u>180,092</u>	<u>593,174</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	573,901	501,054
Contributions received	<u>15,000</u>	<u>15,050</u>
Net cash provided by noncapital financing activities	<u>588,901</u>	<u>516,104</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	1,139,000
Principal payments on long-term debt	(213,766)	(543,480)
Interest paid on long-term debt	(33,626)	(26,648)
Acquisition of property and equipment	<u>(1,272,795)</u>	<u>(766,244)</u>
Net cash (used in) capital and related financing activities	<u>(1,520,187)</u>	<u>(197,372)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	87,464	127,356
Purchase of certificates of deposit	(3,590,535)	(5,555,515)
Proceeds from maturities of certificates of deposit	3,976,492	5,039,994
Advances representing issuance of notes receivable	<u>(4,500)</u>	<u>(40,000)</u>
Net cash provided by (used in) investing activities	<u>468,921</u>	<u>(428,165)</u>
NET INCREASE (DECREASE) IN CASH	(282,273)	483,741
CASH		
Beginning	<u>1,084,259</u>	<u>600,518</u>
Ending	<u>\$ 801,986</u>	<u>\$ 1,084,259</u>

See Notes to Financial Statements.

**Crawford County Memorial Hospital
STATEMENTS OF CASH FLOWS (continued)**

	<u>Year ended June 30</u>	
	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,070,172)	\$ 33,462
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	927,243	864,470
Notes receivable paid by services performed	43,000	44,500
Changes in assets and liabilities		
(Increase) decrease in patient receivables	197,640	(539,226)
(Increase) in other receivables	(778)	(890)
Decrease in estimated third-party payor settlements	40,000	100,000
(Increase) decrease in inventories	17,407	(28,789)
(Increase) in prepaid expenses	(17,391)	(46,267)
Increase (decrease) in accounts payable, net of amounts for property and equipment	(79,556)	126,510
Increase in accrued employee compensation	102,164	49,464
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>20,535</u>	<u>(10,060)</u>
Net cash provided by operating activities	<u>\$ 180,092</u>	<u>\$ 593,174</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. The Hospital has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Hospital has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989.

Effective July 1, 2003, the Hospital adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The adoption of these pronouncements had no financial impact on the Hospital.

Investments and Investment Income

The Hospital's investments are nonnegotiable certificates of deposit recorded at cost. The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. Investment income is reported as nonoperating gains.

Inventories

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

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Hospital is three to forty years.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable.

Fund Equity

Fund equity is presented in the following three components:

Investment in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted fund equity

Restricted fund equity consists of funds on which constraints have been externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other governments.

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Fund Equity

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Credit Policy

The Hospital grants credit to patients, substantially all of whom are residents of the County.

Accounting Estimates and Assumptions

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

Reclassification

Certain reclassifications have been made in the June 30, 2003 financial statements to conform to the June 30, 2004 presentation. These reclassifications had no impact on the total fund equity or the change in fund equity.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 PATIENT RECEIVABLES

Patient receivables reported as current assets consisted of amounts from certain payors as follows:

	Year ended June 30	
	2004	2003
Patients	\$ 845,795	\$ 920,194
Insurance carriers	1,180,285	1,492,443
Medicare	1,399,388	1,170,871
Medicaid	<u>539,304</u>	<u>328,904</u>
Total patient receivables	3,964,772	3,912,412
Less allowances for contractual adjustments and uncollectibles	<u>(1,290,000)</u>	<u>(1,040,000)</u>
Net patient receivables	<u>\$2,674,772</u>	<u>\$2,872,412</u>

NOTE 4 NOTES RECEIVABLE

The Hospital has entered into employment agreements with several physicians. The agreements call for reimbursement of outstanding student loans. The Hospital paid the remaining outstanding balances of all student loans for the physicians and received a signed promissory note from each of the physicians. The promissory notes have various repayment schedules but call for forgiveness of principal and interest as the physicians faithfully perform duties.

For the years ended June 30, 2004 and 2003, the Hospital forgave \$43,000 and \$44,500, respectively, on these physician notes, which are included in fiscal and administrative service and unassigned expenses. Repayment or forgiveness on the notes is to be completed in the year ending June 30, 2005.

In addition, a management arrangement between the Hospital and a physicians' clinic practice exists. The Hospital is to provide facilities, equipment, staff, and billing and collection services for the physicians, and has received assignment of the revenues collected as compensation.

Pursuant to the management and employment agreements, the Hospital incurred total expenses of \$2,301,285 and \$2,280,981 for the years ended June 30, 2004 and 2003, respectively, reported as other professional service expenses, and recognized net revenue of \$1,943,532 and \$1,851,725 for the years ended June 30, 2004 and 2003, respectively, included in net patient service revenue.

NOTE 5 PROPERTY AND EQUIPMENT

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

	June 30, 2004		June 30, 2003	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 15,350	\$ —	\$ 15,350	\$ —
Land improvements	475,053	242,337	461,760	222,844
Building	3,995,124	2,040,264	3,856,003	1,946,014
Fixed equipment	3,550,811	2,307,290	3,550,811	2,163,276
Major movable equipment	7,252,967	4,981,748	6,700,763	4,509,094
Medical office building	<u>1,390,030</u>	<u>525,666</u>	<u>1,390,030</u>	<u>465,723</u>
Totals	<u>\$16,679,335</u>	<u>\$10,097,305</u>	<u>\$15,974,717</u>	<u>\$9,306,951</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 PROPERTY AND EQUIPMENT (continued)

A summary of changes in property and equipment for the year ended June 30, 2004 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,350	\$ —	\$ —	\$ 15,350
Land improvements	461,760	13,293	—	475,053
Building	3,856,003	139,121	—	3,995,124
Fixed equipment	3,550,811	—	—	3,550,811
Major movable equipment	6,700,763	689,093	136,889	7,252,967
Medical office building	<u>1,390,030</u>	<u>—</u>	<u>—</u>	<u>1,390,030</u>
Totals	15,974,717	841,507	136,889	16,679,335
Less accumulated depreciation	<u>(9,306,951)</u>	<u>(927,243)</u>	<u>(136,889)</u>	<u>(10,097,305)</u>
Net property and equipment	<u>\$ 6,667,766</u>	<u>\$ (85,736)</u>	<u>\$ —</u>	<u>\$ 6,582,030</u>

A summary of changes in property and equipment for the year ended June 30, 2003 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,350	\$ —	\$ —	\$ 15,350
Land improvements	456,260	5,500	—	461,760
Building	3,840,415	15,588	—	3,856,003
Fixed equipment	3,514,665	36,146	—	3,550,811
Major movable equipment	5,418,438	1,282,325	—	6,700,763
Medical office building	<u>1,390,030</u>	<u>—</u>	<u>—</u>	<u>1,390,030</u>
Totals	14,635,158	1,339,559	—	15,974,717
Less accumulated depreciation	<u>(8,442,481)</u>	<u>(864,470)</u>	<u>—</u>	<u>(9,306,951)</u>
Net property and equipment	<u>\$ 6,192,677</u>	<u>\$ 475,089</u>	<u>\$ —</u>	<u>\$ 6,667,766</u>

NOTE 6 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Note payable, equipment	\$ 869,693	\$1,083,459
Less current maturities	<u>221,170</u>	<u>213,766</u>
Long-term debt, net of current maturities	<u>\$ 648,523</u>	<u>\$ 869,693</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LONG-TERM DEBT (continued)

Note Payable, Equipment

The Hospital has a note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$20,616, including interest at 3.41%, with the final payment due March, 2008. The note is collateralized by the equipment purchased by the Hospital.

This note agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Notes. Consequently, this obligation does not constitute indebtedness of the Hospital under the laws of the State of Iowa, however, generally accepted accounting principles require the assets and liability to be recorded on the balance sheet at June 30, 2004.

Maturities required on long-term debt are as follows:

<u>Year ending June 30</u>	<u>Note payable, equipment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 221,170	\$ 26,221	\$ 247,391
2006	228,831	18,560	247,391
2007	236,757	10,634	247,391
2008	<u>182,935</u>	<u>2,609</u>	<u>185,544</u>
Totals	869,693	58,024	927,717
Less current maturities	<u>221,170</u>	<u>26,221</u>	<u>247,391</u>
Total long-term debt	<u>\$ 648,523</u>	<u>\$ 31,803</u>	<u>\$ 680,326</u>

A summary of changes in long-term debt for the year ended June 30, 2004 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Note payable, equipment	\$ <u>1,083,459</u>	\$ <u>—</u>	\$ <u>213,766</u>	\$ <u>869,693</u>	\$ <u>221,170</u>

A summary of changes in long-term debt for the year ended June 30, 2003 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Notes payable, equipment	\$ <u>487,939</u>	\$ <u>1,139,000</u>	\$ <u>543,480</u>	\$ <u>1,083,459</u>	\$ <u>213,766</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 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. A summary of the payment arrangements with major third-party payors follows.

Medicare

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates per patient classification. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. However, inpatient nonacute services and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Under a provision of the Balanced Budget Refinement Act, as amended by the Medicare Prescription Drug Improvement and Modernization Act of 2003, for services furnished before January 1, 2006, the Hospital's prospectively determined payments for certain outpatient services cannot be less than reimbursement based on annual costs and payment-to-cost ratios of their June 30, 1996 year. Final settlement is determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2003.

Medicaid

Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient classification.

Other

The Hospital has payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 8 DEFINED BENEFIT PENSION PLAN

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 contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$347,601, \$320,332 and \$288,936, respectively, equal to the required contributions for each year.

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Charges foregone, based on established rates	\$ <u>54,822</u>	\$ <u>138,241</u>
Equivalent percentage of charity care patients to all patients served	<u>.3%</u>	<u>.8%</u>

NOTE 10 MALPRACTICE CLAIMS

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. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

Presently, no claims alleging malpractice have been asserted against the Hospital. However, incidents occurring through June 30, 2004 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget for all funds following required public notice and hearings. The annual County Hospital budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual County Hospital budget on a budget basis, which differs from generally accepted accounting principles, GAAP basis. The major differences between County Hospital budget and GAAP bases are that depreciation is not recorded as an expenditure on the County Hospital budget basis and capital expenditures and debt service proceeds and payments are recorded on the County Hospital budget basis.

The following is a comparison of reported amounts to the County Hospital budget:

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 573,901	\$ —	\$ 573,901	\$ 559,622
Other revenues/receipts	<u>11,491,033</u>	<u>33,626</u>	<u>11,524,659</u>	<u>12,339,094</u>
	12,064,934	33,626	12,098,560	12,898,716
Expenses/expenditures	<u>12,496,897</u>	<u>161,656</u>	<u>12,658,553</u>	<u>13,646,214</u>
Net	(431,963)	(128,030)	(559,993)	(747,498)
Balance, beginning	<u>12,191,365</u>	<u>(7,323,693)</u>	<u>4,867,672</u>	<u>5,769,106</u>
Balance, ending	<u>\$11,759,402</u>	<u>\$ (7,451,723)</u>	<u>\$ 4,307,679</u>	<u>\$ 5,021,608</u>

**Crawford County Memorial Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 EMPLOYEE BENEFITS

The Hospital has a self-insured medical benefit plan for virtually all employees. The plan is funded by both Hospital and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$40,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$610,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2004 and 2003 were \$213,016 and \$199,410, respectively, included in fiscal and administrative and unassigned expenses.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

Our report on our audits of the basic financial statements of Crawford County Memorial Hospital for 2004 and 2003 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information 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 the 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 20, 2004

**Crawford County Memorial Hospital
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
0 - 30 days (includes patients in Hospital at end of year)	\$1,465,019	\$1,436,372	36.95%	36.71%
31 - 60 days	636,429	983,616	16.05	25.14
61 - 90 days	385,404	489,700	9.72	12.52
91 - 180 days	615,846	557,608	15.53	14.25
Over 180 days	<u>862,074</u>	<u>445,116</u>	<u>21.75</u>	<u>11.38</u>
Totals	<u>3,964,772</u>	<u>3,912,412</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	690,000	490,000		
Medicaid	230,000	140,000		
Other	70,000	90,000		
Uncollectibles	<u>300,000</u>	<u>320,000</u>		
Total allowances	<u>1,290,000</u>	<u>1,040,000</u>		
Totals	<u>\$2,674,772</u>	<u>\$2,872,412</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 30,660</u>	<u>\$ 32,207</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>87</u>	<u>89</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
BALANCE , beginning	\$ 320,000	\$ 300,000		
ADD				
Provision for bad debts	373,083	228,187	3.32%	1.94%
Recoveries of accounts previously written off	<u>180,196</u>	<u>210,309</u>	1.61	1.79
	873,279	738,496		
DEDUCT				
Accounts written off	<u>573,279</u>	<u>418,496</u>	5.11	3.56
BALANCE , ending	<u>\$ 300,000</u>	<u>\$ 320,000</u>		

Crawford County Memorial Hospital
PATIENT SERVICE REVENUE
Year ended June 30, 2004, with comparative totals for 2003

	<u>2004</u>			<u>2003</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Adult and pediatric	\$1,072,108	\$ -	\$ 1,072,108	\$ 880,870
Swing bed	180,415	-	180,415	197,715
Nursery	74,497	-	74,497	55,620
	<u>1,327,020</u>	<u>-</u>	<u>1,327,020</u>	<u>1,134,205</u>
OTHER NURSING SERVICES				
Operating room	294,840	2,092,195	2,387,035	2,168,333
Recovery room	61,245	322,274	383,519	354,093
Delivery room	98,750	18,440	117,190	96,441
Central supply	-	-	-	278,572
Emergency service	197,798	1,397,345	1,595,143	1,270,246
Observation room	-	24,589	24,589	12,664
Same day surgery	-	43,079	43,079	84,827
	<u>652,633</u>	<u>3,897,922</u>	<u>4,550,555</u>	<u>4,265,176</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	380,555	1,673,568	2,054,123	1,972,119
Electrocardiology	35,992	146,859	182,851	186,107
Radiology	54,432	913,105	967,537	926,348
CT scans	90,734	801,116	891,850	656,707
MRI	35,489	552,219	587,708	436,524
Ultrasound	22,695	426,386	449,081	378,240
Pharmacy	574,728	1,190,098	1,764,826	2,053,283
Anesthesiology	210,289	743,822	954,111	911,606
Respiratory therapy	385,997	170,149	556,146	476,125
Cardiac rehabilitation	-	70,648	70,648	60,250
Ambulance	125,519	369,948	495,467	461,466
Physical therapy	58,296	388,811	447,107	441,554
Occupational therapy	20,828	43,806	64,634	59,590
Speech therapy	10,006	7,002	17,008	60,932
Clinic	-	3,097,461	3,097,461	2,755,987
	<u>2,005,560</u>	<u>10,594,998</u>	<u>12,600,558</u>	<u>11,836,838</u>
Totals	<u>\$3,985,213</u>	<u>\$14,492,920</u>	18,478,133	17,236,219
Charity care charges foregone, based on established rates			(54,822)	(138,241)
Total gross patient service revenue			18,423,311	17,097,978
Provisions for contractual adjustments and bad debts			(7,201,644)	(5,570,582)
Total net patient service revenue			<u>\$11,221,667</u>	<u>\$11,527,396</u>

**Crawford County Memorial Hospital
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS**

	Year ended June 30	
	2004	2003
Contractual adjustments		
Medicare	\$4,518,698	\$3,724,557
Medicaid	956,563	603,166
Other adjustments	1,353,300	1,014,672
Provision for bad debts	373,083	228,187
Totals	\$7,201,644	\$5,570,582

OTHER REVENUE

	Year ended June 30	
	2004	2003
Cafeteria	\$ 28,852	\$ 25,329
Rental income	54,673	50,752
Contracted therapy services	6,310	11,925
Sale of supplies and drugs	3,369	3,610
Wellness	32,026	20,252
Lifeline	19,049	18,293
Miscellaneous	60,779	49,318
Totals	\$ 205,058	\$ 179,479

Crawford County Memorial Hospital
EXPENSES
Year ended June 30, 2004, with comparative totals for 2003

	<u>2004</u>			<u>2003</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 137,770	\$ 3,758	\$ 141,528	\$ 133,040
Adult and pediatric	705,988	74,004	779,992	724,671
Obstetrical	157,322	11,521	168,843	154,031
Coronary care	17,929	499	18,428	16,717
Nursery	52,591	4,332	56,923	46,429
Operating room	242,081	232,865	474,946	432,404
Recovery room	23,232	-	23,232	20,428
Delivery room	32,668	7,178	39,846	34,995
Central supply	-	26,232	26,232	100,368
Emergency and outpatient service	<u>344,246</u>	<u>578,889</u>	<u>923,135</u>	<u>797,226</u>
Total nursing service	<u>1,713,827</u>	<u>939,278</u>	<u>2,653,105</u>	<u>2,460,309</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	246,539	276,669	523,208	526,039
Electrocardiology	29,831	2,777	32,608	36,743
Radiology	203,910	136,327	340,237	293,497
CT scans	10,197	41,351	51,548	35,562
MRI	-	148,737	148,737	120,414
Ultrasound	46,390	15,267	61,657	62,831
Pharmacy	127,341	329,407	456,748	438,107
Anesthesiology	267,818	23,859	291,677	267,207
Respiratory therapy	86,327	45,436	131,763	122,283
Cardiac rehabilitation	23,526	779	24,305	25,691
Ambulance	303,423	23,608	327,031	302,561
Physical therapy	162,117	15,496	177,613	175,217
Occupational therapy	17,237	-	17,237	17,329
Speech therapy	-	2,293	2,293	19,020
Clinic	1,120,551	1,180,734	2,301,285	2,280,981
Health information management	218,159	26,145	244,304	223,365
Quality assurance	51,425	1,014	52,439	48,128
Utilization review	<u>51,901</u>	<u>655</u>	<u>52,556</u>	<u>51,135</u>
Total other professional service	<u>2,966,692</u>	<u>2,270,554</u>	<u>5,237,246</u>	<u>5,046,110</u>
GENERAL SERVICE				
Dietary	219,889	134,953	354,842	338,050
Plant engineering	228,800	275,224	504,024	465,030
Housekeeping	142,895	24,495	167,390	157,919
Laundry	<u>40,260</u>	<u>5,496</u>	<u>45,756</u>	<u>42,341</u>
Total general service	<u>631,844</u>	<u>440,168</u>	<u>1,072,012</u>	<u>1,003,340</u>

Crawford County Memorial Hospital
EXPENSES (continued)
Year ended June 30, 2004, with comparative totals for 2003

	<u>2004</u>			<u>2003</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Fiscal and administrative service	\$ 866,330	\$ 486,037	\$ 1,352,367	\$ 1,177,621
FICA	-	403,785	403,785	371,947
IPERS	-	347,601	347,601	320,332
Group health and life insurance	-	276,882	276,882	267,190
Insurance	-	<u>226,656</u>	<u>226,656</u>	<u>162,094</u>
Total unassigned expenses	<u>866,330</u>	<u>1,740,961</u>	<u>2,607,291</u>	<u>2,299,184</u>
PROVISION FOR DEPRECIATION	<u>-</u>	<u>927,243</u>	<u>927,243</u>	<u>864,470</u>
Total expenses	<u>\$6,178,693</u>	<u>\$6,318,204</u>	<u>\$12,496,897</u>	<u>\$11,673,413</u>

**Crawford County Memorial Hospital
COMPARATIVE STATISTICS**

	Year ended June 30	
	2004	2003
PATIENT DAYS		
Adult and pediatric	2,103	2,313
Swing bed		
Skilled care	659	984
Intermediate care	121	73
Nursery	276	252
Totals	3,159	3,622
DISCHARGES		
Adult and pediatric	757	810
Swing bed		
Skilled care	87	93
Intermediate care	31	20
Nursery	125	120
Totals	1,000	1,043
AVERAGE LENGTH OF STAY		
Adult and pediatric	2.78	2.86
Swing bed		
Skilled care	7.57	10.58
Intermediate care	3.90	3.65
Nursery	2.21	2.10

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the financial statements of Crawford County Memorial Hospital as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital'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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the 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. Those comments are presented in the accompanying schedule of findings.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management, employees and citizens of Crawford County 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 20, 2004

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part I—Findings Related to the Financial Statements

No matters regarding reportable conditions, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part II—Findings Related to Required Statutory Reporting

04-II-A OFFICIAL DEPOSITORIES

A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B CERTIFIED BUDGET

Based on a comparison of budget basis expenditures with budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2004.

04-II-C QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

04-II-D TRAVEL EXPENSES

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

04-II-E BUSINESS TRANSACTIONS

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

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 noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.