

**Dallas County Hospital
Perry, Iowa**

FINANCIAL REPORT

June 30, 2004

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Dallas County Hospital
OFFICIALS
June 30, 2004

Before January, 2004

BOARD OF TRUSTEES

Expiration of term

Officers

Marsha McClintock, Chair
Joe Emerson, Vice Chair
LuAnn VanKirk, Secretary
Rich Jones, Treasurer

December 31, 2006
December 31, 2006
December 31, 2006
December 31, 2008

Members

Marc Meyer
Christie Creighton

December 31, 2004
December 31, 2008

CHIEF EXECUTIVE OFFICER

Laurie Conner

CHIEF FINANCIAL OFFICER

Sandra Christensen

CHIEF OPERATING OFFICER

Vicky Pederson

After January, 2004

BOARD OF TRUSTEES

Expiration of term

Officers

Joe Emerson, Chair
LuAnn VanKirk, Vice Chair
Christie Creighton, Secretary
Marc Meyer, Treasurer

December 31, 2006
December 31, 2006
December 31, 2008
December 31, 2010

Members

Marsha McClintock
Rich Jones
Harley Weyer

December 31, 2006
December 31, 2008
December 31, 2010

CHIEF EXECUTIVE OFFICER

Laurie Conner

CHIEF FINANCIAL OFFICER

Sandra Christensen

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dallas County Hospital
Perry, Iowa

We have audited the accompanying balance sheets of Dallas County 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. We have also audited the statement of financial position of Dallas County Hospital Foundation, a component unit of Dallas County Hospital, as of June 30, 2004, and the related statements of activities and cash flows for the year 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 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 Dallas County 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. Also, in our opinion, the accompanying financial statements of Dallas County Hospital Foundation referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2004, and its changes in net assets and its cash flows for the year 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*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* as of and for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2004 on our consideration of Dallas County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 16, 2004

DALLAS COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Dallas County Hospital, we offer readers of the Dallas County Hospital's financial statements this narrative overview and analysis of the financial performance of our hospital during the fiscal years ended June 30, 2004 and 2003. Please read it in conjunction with the 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 and supplementary information of Dallas County Hospital. 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 Dallas County 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 Dallas County Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Dallas County Hospital's creditors (liabilities). It also provides the basis for evaluating the capital structure of Dallas County 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 Dallas County Hospital's operations over the past year and can be used to determine whether Dallas County 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 increased by \$1,577,012 to \$17,942,917.
- Total assets whose use is limited increased by \$515,715.
- Property and equipment increased by \$1,350,350.
- Total debt increased by \$540,452.
- Fund equity increased by \$915,375.
- Net patient service revenue increased by \$574,273, primarily due to increased utilization.
- Expenses increased by \$779,568 or 9.92%.
- Total margin for FY 2004 was 11.0%, compared to 18.6% for FY 2003.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheet and the statement of revenues, expenses, and changes in fund equity report the net assets of Dallas County Hospital and the changes in them. Dallas County 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 net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

NET ASSETS

A summary of the Hospital's balance sheets at June 30, 2004 and 2003, are presented in Table 1 below.

Table 1
Condensed Balance Sheets

| | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>Dollar Change</u> | <u>Total % Change</u> |
|----------------------------|----------------------|----------------------|----------------------|---------------------------|
| Current and other assets | \$10,800,396 | \$10,573,734 | \$ 226,662 | 2.15% |
| Capital assets | 7,142,521 | 5,792,171 | 1,350,350 | 23.32 |
| Total Assets | <u>\$17,942,917</u> | <u>\$16,365,905</u> | <u>\$1,577,012</u> | <u>9.64%</u> |
| Long-term debt outstanding | \$ 3,547,391 | \$ 3,145,000 | \$ 402,391 | 12.80% |
| Other liabilities | 3,013,863 | 2,754,617 | 259,246 | 9.41 |
| Total liabilities | <u>\$ 6,561,254</u> | <u>\$ 5,899,617</u> | <u>\$ 661,637</u> | <u>11.21%</u> |
| Total net assets | <u>\$11,381,663</u> | <u>\$10,466,288</u> | <u>\$ 915,375</u> | <u>8.75%</u> |

As can be seen by Table 1, net assets increased by \$915,375 to \$11,381,663 in fiscal year 2004, up from \$10,466,288 in fiscal year 2003. The change in net assets results primarily from profits of the Hospital.

REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

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

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

| | Year ended June 30, | |
|--|---------------------|---------------------|
| | 2004 | 2003 |
| Total revenue | \$ 8,312,398 | \$ 7,738,123 |
| Expenses | 8,634,952 | 7,855,384 |
| Operating (loss) | (322,554) | (117,261) |
| Non-operating gains | 1,237,929 | 1,557,251 |
| Excess of revenues over expenses | 915,375 | 1,439,990 |
| Other changes in fund equity-contributions | 0 | 0 |
| Total fund equity, beginning | 10,466,288 | 9,026,298 |
| Total fund equity, ending | <u>\$11,381,663</u> | <u>\$10,466,288</u> |

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2004 were 348 compared to 270 in fiscal year 2003. Acute patient days increased by 23.6% compared to FY 2003 because of the increased admissions. Swing bed admissions increased by 27 % for FY 2004 to a total of 164 admissions. Outpatient visits decreased by .01% to 28,624 visits in FY 2004. Even though outpatient visits decreased, total procedures and treatments increased. The following departments are responsible for a majority of the increase in outpatient revenue: Radiology, Echocardiology, CT Scanning, MRI, Laboratory, Pulmonary Rehab, Cardiac Diagnostic, Respiratory Therapy, Occupational Therapy and Speech Therapy. Operating room procedures were 11% below FY 2003's level due to a change in general surgery coverage. A new general and orthopedic surgeon started performing procedures during FY 2004. Total operating room procedures in FY 2004 were 639 surgeries compared to 713 in FY 2003 with 97% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Due to an average rate increase of 5% effective July 1, 2003, and the increase in volumes discussed above, net patient service revenues climbed by \$574,273, or 7.7% compared to fiscal year 2003. During the fiscal year, Dallas County Hospital's contractual allowances (the difference between billed charges and paid charges from third party payers) increased by 47%. The majority of the increase came from Medicare payment reductions, however other contractual allowances continue to increase as well.

The following table presents the relative percentages of gross charges for patient services by payer for the years ended June 30, 2004 and 2003.

Table 3
Payor Mix by Percentage

| | Year Ended June 30, | |
|----------------------------|---------------------|---------|
| | 2004 | 2003 |
| Medicare | 57.11% | 57.81% |
| Wellmark | 14.04% | 14.12% |
| Medicaid | 6.12% | 4.72% |
| Private Pay | 4.54% | 4.21% |
| Other Commercial Insurance | 18.19% | 19.14% |
| Total | 100.00% | 100.00% |

Significant changes in operations from FY 2003:

Other Revenue: FY 2004 showed virtually no change in other revenue compared to FY 2003. During the year ended June 30, 2004 the Child Day Care and Wear House programs were discontinued.

Other Professional Service: FY2004 showed an increase of \$259,095 or 12.1% increase in other professional services. The primary reason for this increase was due to the addition of new services like mobile MRI, an increase in hours for the contracted pharmacist and a general increase in volumes for services that utilize a contracted service.

Provision for Depreciation and Amortization: FY2004 showed an increase in depreciation due to the addition of a completed 2003 construction project.

Interest Expense: There was a \$152,543 increase in interest expense during FY 2004. This is attributed to the completion of a construction project including a walkway, chiller building expansion and new chiller addition. This project was completed in August 2003.

CAPITAL ASSETS

At the end of fiscal year 2004, the Dallas County Hospital has invested \$2,302,886 during the year in capital assets. The increase in capital assets is primarily a result of increases in equipment and building improvements. Equipment purchases were \$1,125,283 due to the purchase of technology improvements. Building improvements of \$1,177,603 was used for walkway construction, chiller building expansion and an upgrade to a new chiller.

The following table summarizes Dallas County Hospital's capital assets as of June 30, 2004 and 2003.

Table 4
Capital Assets
(in Thousands)

| | June 30, | | |
|------------------------------------|---------------------|---------------------|---------------------|
| | 2004 | 2003 | Change |
| Land | \$ 69,523 | \$ 86,023 | \$ (16,500) |
| Land improvements | 385,583 | 388,823 | (3,240) |
| Buildings | 5,278,824 | 2,611,627 | 2,667,197 |
| Building service equipment | 2,590,628 | 2,367,854 | 222,774 |
| Fixed equipment | 405,910 | 397,490 | 8,420 |
| Major moveable equipment | 4,914,334 | 4,246,813 | 667,521 |
| Construction in progress | 1,013,834 | 3,023,348 | (2,009,514) |
| Subtotal | 14,658,636 | 13,121,978 | 1,536,658 |
| Less accumulated depreciation | (7,516,115) | (7,329,807) | (186,308) |
| Property, plant and equipment, net | <u>\$ 7,142,521</u> | <u>\$ 5,792,171</u> | <u>\$ 1,350,350</u> |

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Dallas County Hospital had \$3,145,000 in short- and long-term debt related to Hospital Revenue Bonds. This has decreased from \$3,255,000 in fiscal year 2003, which was the amount of principal payments on outstanding debt for fiscal year 2004. Dallas County Hospital incurred new debt in FY 2004 for the capital lease of new radiology equipment. The outstanding debt for capital leases at the end of fiscal year 2004 was \$650,452. This decreased by \$65,948 in fiscal year 2004, which was the amount of principal payments on this debt. More detailed information about Dallas County Hospital's outstanding debt is presented in the Notes to the Financial Statements. Note that total debt represents 33% of Dallas County Hospital's equity as of year-end.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$8,008,117 or 7.48% over budget for the fiscal year ended June 30, 2004. This was primarily due to higher utilization of acute and swing services than budgeted. Acute patient days were 26.9% above budget and swing patient days were 44.6% above budget. Dallas County Hospital's general surgeon was available one half as many days and unavailable for emergency cases compared to the previous surgeon, which caused the total surgeries to be 20% below budget.

As mentioned above, Medicare contractual allowances continue to be a larger percentage of gross revenue. In addition, other contractual allowances continue to increase.

Operating expenses were \$102,602 or 1.2% over budget for the year with the majority of the amount coming from salaries, professional fees, employee benefits, utilities and interest expense. Employee benefits was under budget due to a lower than anticipated claims for the self-funded health insurance plan. Interest expense was under budget due to a delay in accepting the construction as complete later than anticipated at budget time.

Income from investments was \$8,431 over budget during fiscal year 2004 but well under prior year earnings, which is linked to the lower CD interest.

The following table compares fiscal year 2004 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

| | FY 2004 Budget | FY 2004 Actual | Dollar Variance | Percent Variance |
|------------------------------------|---------------------------|---------------------------|----------------------------|-----------------------------|
| Gross patient service revenue | \$8,950,788 | \$9,475,865 | \$ 525,077 | 5.87% |
| Contractual adjustments | (1,500,001) | (1,467,748) | 32,253 | (2.15) |
| Net patient service revenue | 7,450,787 | 8,008,117 | 557,330 | 7.48 |
| Other revenue | 256,343 | 304,281 | 47,938 | 18.70 |
| Total revenue | 7,707,130 | 8,312,398 | 605,268 | 7.85 |
| Operating expenses | 8,532,350 | 8,634,952 | 102,602 | 1.20 |
| Operating (loss) | (825,220) | (322,554) | 502,666 | 60.91 |
| County taxes | 1,347,787 | 1,284,173 | (63,614) | (4.72) |
| Income from investments | 152,000 | 160,431 | 8,431 | 5.55 |
| Other non-operating (losses) gains | (251,794) | (206,675) | 45,119 | 17.92 |
| Excess of revenues over expenses | \$ 422,773 | \$ 915,375 | \$ 492,602 | 116.52% |

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Dallas County Hospital's Board and management considered many factors when setting the fiscal year 2005 budget. Of primary importance in setting the 2005 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Privacy legislation (HIPAA)
- Increased expectations for quality at a lower price
- Workforce shortages
- Cost of supplies
- Surging drug costs
- Increasing age of facility
- Market share growth and retention

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Dallas County Hospital, 610 10th Street, Perry, Iowa 50220. Phone number 515-465-3547.

**Dallas County Hospital
BALANCE SHEETS**

| ASSETS | June 30 | |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| CURRENT ASSETS | | |
| Cash | \$ 275,462 | \$ 132,764 |
| Assets whose use is limited--required for current liabilities | 261,944 | 123,883 |
| Patient receivables, less allowances for contractual adjustments and uncollectibles 2004 \$481,599; 2003 \$343,863 | 1,118,955 | 892,865 |
| Other receivables | 130,499 | 144,997 |
| Estimated third-party payor settlements | - | 561,435 |
| Inventories | 250,608 | 271,310 |
| Prepaid expenses | 141,811 | 138,561 |
| Total current assets | <u>2,179,279</u> | <u>2,265,815</u> |
| ASSETS WHOSE USE IS LIMITED | | |
| For plant replacement and expansion | | |
| Cash | 292,575 | 1,266,159 |
| Certificates of deposit | 4,984,229 | 3,674,461 |
| Investments | 1,095,869 | 417,294 |
| Interest receivable | 30,737 | 48,884 |
| Under loan agreement | | |
| Cash | 36,225 | 517,122 |
| Certificate of deposit | 280,000 | 280,000 |
| | <u>6,719,635</u> | <u>6,203,920</u> |
| Less assets whose use is limited and that are required for current liabilities | 261,944 | 123,883 |
| Total assets whose use is limited | <u>6,457,691</u> | <u>6,080,037</u> |
| PROPERTY AND EQUIPMENT | 14,658,636 | 13,121,978 |
| Less accumulated depreciation and amortization | 7,516,115 | 7,329,807 |
| Total property and equipment | <u>7,142,521</u> | <u>5,792,171</u> |
| OTHER ASSETS | | |
| Other receivable, foundation | 500,000 | 500,000 |
| Unamortized borrowing costs | 113,432 | 122,682 |
| Succeeding year property tax receivable | 1,262,478 | 1,301,113 |
| Total other assets | <u>1,875,910</u> | <u>1,923,795</u> |
| RENTAL PROPERTY, NET | <u>287,516</u> | <u>304,087</u> |
| Totals | <u>\$17,942,917</u> | <u>\$16,365,905</u> |

See Notes to Financial Statements.

| | LIABILITIES AND FUND BALANCE | |
|---|-------------------------------------|---------------------|
| | June 30 | |
| | 2004 | 2003 |
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$ 248,061 | \$ 110,000 |
| Accounts payable | 584,239 | 570,573 |
| Accounts payable, construction and equipment | 205,726 | 187,466 |
| Accrued employee compensation | 438,208 | 378,045 |
| Payroll taxes and amounts withheld from employees | 36,854 | 53,215 |
| Accrued interest payable | 13,883 | 13,883 |
| Estimated third-party payor settlements | 27,390 | - |
| Deferred revenue--property taxes | 197,024 | 140,322 |
| | <u>1,751,385</u> | <u>1,453,504</u> |
| Total current liabilities | | |
| LONG-TERM DEBT | | |
| Revenue bond | 3,145,000 | 3,255,000 |
| Obligation under capital leases | 650,452 | - |
| | <u>3,795,452</u> | <u>3,255,000</u> |
| Less current maturities | 248,061 | 110,000 |
| Total long-term debt | <u>3,547,391</u> | <u>3,145,000</u> |
| DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE | | |
| | <u>1,262,478</u> | <u>1,301,113</u> |
| CONTINGENCIES | | |
| FUND EQUITY | | |
| Invested in capital assets, net of related debt | 3,634,585 | 2,841,258 |
| Restricted | 316,225 | 797,122 |
| Unrestricted | 7,430,853 | 6,827,908 |
| | <u>11,381,663</u> | <u>10,466,288</u> |
| Totals | <u>\$17,942,917</u> | <u>\$16,365,905</u> |

See Notes to Financial Statements.

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

| | Year ended June 30 | |
|---|---------------------------|---------------------|
| | 2004 | 2003 |
| NET PATIENT SERVICE REVENUE , net of provisions for bad debts 2004 \$131,612; 2003 \$139,417 | \$ 8,008,117 | \$ 7,433,844 |
| OTHER REVENUE | <u>304,281</u> | <u>304,279</u> |
| Total revenue | <u>8,312,398</u> | <u>7,738,123</u> |
| EXPENSES | | |
| Nursing service | 2,177,775 | 2,027,143 |
| Other professional service | 2,400,642 | 2,141,547 |
| General service | 983,792 | 960,562 |
| Fiscal and administrative service and unassigned expenses | 2,338,631 | 2,183,789 |
| Provision for depreciation and amortization | <u>734,112</u> | <u>542,343</u> |
| Total expenses | <u>8,634,952</u> | <u>7,855,384</u> |
| Operating (loss) | <u>(322,554)</u> | <u>(117,261)</u> |
| NONOPERATING GAINS (LOSSES) | | |
| County taxes | 1,284,173 | 1,344,263 |
| Interest expense | (161,872) | (79) |
| (Loss) on sale of property and equipment | - | (29,915) |
| Investment income | 160,431 | 227,800 |
| Rental property, net | 8,438 | 14,489 |
| Unrestricted contributions | - | 693 |
| Donated equipment | <u>(53,241)</u> | <u>-</u> |
| Total nonoperating gains (losses) | <u>1,237,929</u> | <u>1,557,251</u> |
| Excess of revenues and gains over expenses and losses | 915,375 | 1,439,990 |
| TOTAL FUND EQUITY | | |
| Beginning | <u>10,466,288</u> | <u>9,026,298</u> |
| Ending | <u>\$11,381,663</u> | <u>\$10,466,288</u> |

**Dallas County Hospital
STATEMENTS OF CASH FLOWS**

| | Year ended June 30 | |
|---|---------------------------|--------------------|
| | 2004 | 2003 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from patients and third-party payors | \$8,370,852 | \$7,124,787 |
| Cash paid to suppliers for goods and services | (4,610,075) | (4,072,486) |
| Cash paid to employees for services | (3,215,845) | (3,023,512) |
| Other operating revenues received | <u>317,411</u> | <u>241,438</u> |
| Net cash provided by operating activities | <u>862,343</u> | <u>270,227</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Unrestricted contributions | - | 693 |
| County taxes received | <u>1,285,541</u> | <u>1,387,296</u> |
| Net cash provided by noncapital financing activities | <u>1,285,541</u> | <u>1,387,989</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of property and equipment | (1,346,341) | (3,080,061) |
| Payments for revenue bond issuance cost | - | (122,682) |
| Proceeds from sale of equipment | - | 7,266 |
| Payments on note payable, bank | - | (540,000) |
| Proceeds from long-term debt | - | 3,360,000 |
| Principal payments on long-term debt | (175,948) | (105,000) |
| Interest paid on long-term debt | <u>(152,622)</u> | <u>(79)</u> |
| Net cash (used in) capital and related financing activities | <u>(1,674,911)</u> | <u>(480,556)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 195,774 | 177,276 |
| Purchase of certificates of deposit | (4,414,229) | (2,069,629) |
| Proceeds from maturities of certificates of deposit | 3,108,690 | 1,798,969 |
| Purchase of investments | (1,200,000) | - |
| Proceeds from maturities of investments | 500,000 | 300,000 |
| Cash received from rental properties | <u>25,009</u> | <u>57,286</u> |
| Net cash provided by (used in) investing activities | <u>(1,784,756)</u> | <u>263,902</u> |
| NET INCREASE (DECREASE) IN CASH | (1,311,783) | 1,441,562 |
| CASH | | |
| Beginning | <u>1,916,045</u> | <u>474,483</u> |
| Ending | <u>\$ 604,262</u> | <u>\$1,916,045</u> |

See Notes to Financial Statements.

Dallas County Hospital
STATEMENTS OF CASH FLOWS (continued)

| | Year ended June 30 | |
|---|---------------------------|--------------------|
| | 2004 | 2003 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating (loss) | \$ (322,554) | \$ (117,261) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities | | |
| Provision for depreciation and amortization | 734,112 | 542,343 |
| Change in assets and liabilities | | |
| (Increase) decrease in patient receivables | (226,090) | 107,490 |
| (Increase) decrease in net estimated third-party payor settlements | 588,825 | (416,547) |
| (Increase) decrease in other receivables, net of noncapital financing activities | 13,130 | (62,841) |
| (Increase) decrease in inventories | 20,702 | (17,064) |
| (Increase) in prepaid expenses | (3,250) | (8,251) |
| Increase in accounts payable, net of amounts for property and equipment | 13,666 | 195,403 |
| Increase in accrued compensation and payroll taxes and withholdings | <u>43,802</u> | <u>46,955</u> |
| Net cash provided by operating activities | <u>862,343</u> | <u>270,227</u> |
| RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET | | |
| Per balance sheet | | |
| Current assets, cash | 275,462 | 132,764 |
| Assets whose use is limited, cash | | |
| For plant replacement and expansion | 292,575 | 1,266,159 |
| Under loan agreement | <u>36,225</u> | <u>517,122</u> |
| Totals per statements of cash flows | <u>\$ 604,262</u> | <u>\$1,916,045</u> |
| SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of equipment through capital leases | <u>\$ 716,400</u> | <u>\$ —</u> |

See Notes to Financial Statements.

Dallas County Hospital Foundation
(A Component Unit of Dallas County Hospital)
STATEMENT OF FINANCIAL POSITION
June 30, 2004

ASSETS

CURRENT ASSETS

| | |
|------------------------|----------------|
| Cash | \$ 244,284 |
| Prepaid expenses | 500 |
| Interest receivable | 1,866 |
| Other receivables | 635 |
| Grant receivable | 120,000 |
| Certificate of deposit | <u>30,000</u> |
| Total current assets | <u>397,285</u> |

RESTRICTED CASH

| | |
|-----------------------------|----------------|
| Bond fund | 122,045 |
| Debt service reserve fund | 394,736 |
| Repair and replacement fund | <u>13,262</u> |
| Total restricted cash | <u>530,043</u> |

PROPERTY AND EQUIPMENT

| | |
|--|------------------|
| Spring Valley Retirement Facility | 4,709,996 |
| Less accumulated depreciation and amortization | <u>604,610</u> |
| Total property and equipment | <u>4,105,386</u> |

OTHER ASSETS

| | |
|--|----------------|
| Grant receivable, net of current portion | 120,000 |
| Deferred debt issue costs, net of accumulated amortization | <u>214,717</u> |
| Total other assets | <u>334,717</u> |

Total assets \$5,367,431

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--------------------------------------|----------------|
| Current maturities of long-term debt | \$ 75,000 |
| Accounts payable | 4,327 |
| Accounts payable, related party | 112,764 |
| Accounts payable, construction | 4,912 |
| Deposits | 32,600 |
| Accrued interest | 96,390 |
| Accrued property taxes | <u>61,200</u> |
| Total current liabilities | <u>387,193</u> |

LONG-TERM DEBT, less current maturities 4,940,000

NET ASSETS

| | |
|------------------------|----------------|
| Unrestricted | (82,721) |
| Temporarily restricted | <u>122,959</u> |
| Total net assets | <u>40,238</u> |

Total liabilities and net assets \$5,367,431

Dallas County Hospital Foundation
(A Component Unit of Dallas County Hospital)
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

CHANGES IN UNRESTRICTED NET ASSETS

| | |
|---|------------------|
| Revenues | |
| Contributions and grants | \$ 1,125 |
| Rental income | |
| Assisted and independent living units | 718,936 |
| Garage, guest room and other | 14,182 |
| Meal income | 2,152 |
| Investment return | 5,393 |
| Other | <u>1,375</u> |
| Total unrestricted revenues | 743,163 |
| Net assets released from restrictions | <u>120,000</u> |
| Total unrestricted revenues and other support | <u>863,163</u> |
| Expenses | |
| Program services | |
| Salaries | 355,792 |
| Fringe benefits and payroll taxes | 92,093 |
| Meals | <u>88,986</u> |
| Total program services | <u>536,871</u> |
| Supporting services | |
| Administration and general | 55,743 |
| Property taxes | 61,200 |
| Rent expense | 7,000 |
| Operation of plant | 84,036 |
| Depreciation and amortization | <u>270,360</u> |
| Total supporting services | <u>478,339</u> |
| Interest | <u>290,547</u> |
| Total expenses | <u>1,305,757</u> |
| (Decrease) in unrestricted net assets | <u>(442,594)</u> |

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

| | |
|--------------------------------------|------------------|
| Net assets released from restriction | <u>(120,000)</u> |
| (Decrease) in net assets | <u>(562,594)</u> |

NET ASSETS

| | |
|-----------|------------------|
| Beginning | <u>602,832</u> |
| Ending | <u>\$ 40,238</u> |

See Notes to Financial Statements.

Dallas County Hospital Foundation
(A Component Unit of Dallas County Hospital)
STATEMENT OF CASH FLOWS
Year ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Change in net assets | \$ (562,594) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | |
| Depreciation and amortization | 270,360 |
| Change in assets and liabilities | |
| (Increase) in prepaid expenses | (500) |
| (Increase) in interest receivable | (690) |
| (Increase) decrease in other receivable | 2,277 |
| Decrease in grant receivable | 120,000 |
| Increase (decrease) in accounts payable, net of amounts for property and equipment | (6,595) |
| Increase (decrease) in accounts payable, related party | (12,672) |
| Increase in deposits | 2,250 |
| Increase (decrease) in accrued interest payable | (662) |
| Increase in accrued property taxes | <u>1,002</u> |
| Net cash (used in) operating activities | <u>(187,824)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------|
| Liquidation (funding) of bond fund | (7,916) |
| Liquidation (funding) of debt service reserve fund | (1,916) |
| (Funding) of repair and replacement fund | (7,241) |
| Purchase of property and equipment | <u>(48,248)</u> |
| Net cash (used in) investing activities | <u>(65,321)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|----------------------------------|-----------------|
| Payments on long-term borrowings | <u>(50,000)</u> |
|----------------------------------|-----------------|

NET (DECREASE) IN CASH

(303,145)

CASH

| | |
|-----------|----------------|
| Beginning | <u>547,429</u> |
|-----------|----------------|

| | |
|--------|-------------------|
| Ending | <u>\$ 244,284</u> |
|--------|-------------------|

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | |
|--|-------------------|
| Cash paid during the year for interest | <u>\$ 291,209</u> |
|--|-------------------|

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is a county public hospital organized under Chapter 347, of the Code of Iowa, not subject to taxes on income or property, and receives tax support from Dallas County. The Hospital grants credit to patients, substantially all of whom are county residents.

Reporting Entity

For financial reporting purposes, Dallas County Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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 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. For the fiscal year ended June 30, 2004, Dallas County Hospital has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Dallas County Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-19.

These financial statements present the Hospital and the Foundation (its component unit). Certain disclosures about the Foundation are not included because the Foundation has been audited separately and a report has been issued under separate cover.

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 Notes Disclosures*. The adoption of these pronouncements had no financial impact on the Hospital.

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards (continued)

Dallas County Hospital Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation has only unrestricted and temporarily restricted net assets.

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Foundation operations.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets. The Foundation had \$122,959 of temporarily restricted net assets at June 30, 2004. These net assets are related to a grant receivable and for Hospice program improvements and equipment for Dallas County Hospital.

Fund Equity

Fund equity is presented in the following three components:

Invested in capital assets, net of related debt

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

Restricted fund equity

Restricted fund equity consists of funds restricted 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.

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, disclosure of contingent 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.

Inventories

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

**Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income

The Hospital's investments and the methods used in determining the reported amounts are as follows:

| <u>Type</u> | <u>Method</u> |
|---|--|
| Interest-earning investment contracts Nonnegotiable certificates of deposit | Cost |
| Debt securities U.S. Treasury securities and U.S. Government Agency securities | |
| Maturity of one year or less when purchased | Amortized cost |
| Maturity of more than one year when purchased | Fair value based on quoted market prices |
| Equity securities Common stock | Fair value based on quoted market prices |

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income is reported as nonoperating gains. Investment income includes interest income and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for Hospital operations are recorded as additions at fair value at the date of receipt, which is then treated as cost.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital lease is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Depreciation and amortization are computed using these asset lives:

| | |
|-------------------------------|---------------|
| Land improvements | 5 to 20 years |
| Buildings and fixed equipment | 5 to 40 years |
| Major movable equipment | 5 to 25 years |

Costs of Borrowing

Unamortized financing costs are amortized over the period the obligation is outstanding using the straight-line method.

Interest

Interest costs incurred during the period of construction are capitalized and included with the costs of the project. Capitalized interest costs were \$155,807 for 2003. Total interest costs were \$161,872 for 2004 and \$155,886 for 2003.

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and property taxes received but not spent.

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.

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.

Statements of 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 revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. Operating expenses are all expenses incurred to provide health care services.

Reclassifications

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 excess of revenues over expenses before contributions.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks 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 insure there will be no loss of public funds.

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS (continued)

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. The Hospital also maintains investments in marketable equity securities which were received by donation.

The Hospital's investments are categorized to give an indication of the level of risk assumed by the Hospital at year end. At June 30, 2004, the Hospital's investments in marketable equity securities are in a category characterized as investments that are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. Also at June 30, 2004, the Hospital's investments in U.S. Government securities are in a category characterized as investments that are collateralized with securities held by the pledging financial institutions trust department or agent in the Hospital's name.

The Hospital's investments at June 30, 2004 are as follows:

| | <u>Fair value</u> |
|------------------------------|--------------------|
| U.S. Government securities | \$1,008,000 |
| Marketable equity securities | <u>87,869</u> |
| Totals | <u>\$1,095,869</u> |

NOTE 3 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 and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. 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 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, 2002.

The estimated third-party payor receivable of \$561,435 as of June 30, 2003 was partially attributed to the effect on reimbursement of the allocation of home office administrative costs. In addition, a significant change in volume in 2003 impacted the Hospital's cost per day reimbursement.

Other

The Hospital also has payment agreements with Blue Cross and other certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates and discounts from established charges.

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment for the year ended June 30, 2004 and 2003 follows:

| | <u>Balance July 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfer</u> | <u>Balance June 30, 2004</u> |
|--|-------------------------------------|--------------------|---------------------|--------------------|--------------------------------------|
| Land | \$ 86,023 | \$ - | \$ (16,500) | \$ - | \$ 69,523 |
| Land improvements | 388,823 | - | (3,240) | - | 385,583 |
| Buildings | 2,611,627 | 183,572 | (73,167) | 2,556,792 | 5,278,824 |
| Building service equipment | 2,367,854 | 12,760 | (39,986) | 250,000 | 2,590,628 |
| Fixed equipment | 397,490 | 28,186 | (19,766) | - | 405,910 |
| Major movable equipment | 4,246,813 | 1,125,283 | (457,762) | - | 4,914,334 |
| Construction in progress | <u>3,023,348</u> | <u>953,085</u> | <u>(155,807)</u> | <u>(2,806,792)</u> | <u>1,013,834</u> |
| Totals | 13,121,978 | 2,302,886 | (766,228) | - | 14,658,636 |
| Less accumulated depreciation and amortization | <u>(7,329,807)</u> | <u>(734,111)</u> | <u>547,803</u> | <u>-</u> | <u>(7,516,115)</u> |
| Net property and equipment | <u>\$ 5,792,171</u> | <u>\$1,568,775</u> | <u>\$ (218,425)</u> | <u>\$ -</u> | <u>\$ 7,142,521</u> |

| | <u>Balance July 1, 2002</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfer</u> | <u>Balance June 30, 2003</u> |
|--|-------------------------------------|--------------------|--------------------|-----------------|--------------------------------------|
| Land | \$ 86,023 | \$ - | \$ - | \$ - | \$ 86,023 |
| Land improvements | 388,823 | - | - | - | 388,823 |
| Buildings | 2,623,664 | - | (12,037) | - | 2,611,627 |
| Building service equipment | 2,489,458 | 14,600 | (136,204) | - | 2,367,854 |
| Fixed equipment | 323,369 | 77,617 | (3,496) | - | 397,490 |
| Major movable equipment | 3,958,273 | 544,430 | (255,890) | - | 4,246,813 |
| Construction in progress | <u>475,772</u> | <u>2,547,576</u> | <u>-</u> | <u>-</u> | <u>3,023,348</u> |
| Totals | 10,345,382 | 3,184,223 | (407,627) | - | 13,121,978 |
| Less accumulated depreciation and amortization | <u>(7,160,005)</u> | <u>(542,343)</u> | <u>372,541</u> | <u>-</u> | <u>(7,329,807)</u> |
| Net property and equipment | <u>\$ 3,185,377</u> | <u>\$2,641,880</u> | <u>\$ (35,086)</u> | <u>\$ -</u> | <u>\$ 5,792,171</u> |

Construction in progress at June 30, 2004 consists primarily of progress billings on a construction contract, plus architect and construction management fees relating to a facility expansion and equipment improvement project. Total costs associated with this project are expected to be approximately \$7,000,000 over a 5 year period. The project is expected to be financed using Hospital reserves, cash from operations and the acquisition of long-term debt. Commitments outstanding on signed contracts as of June 30, 2004, are approximately \$45,000.

Total depreciation expense for the years ended June 30, 2004 and 2003 was \$750,683 and \$585,140, respectively. Included in nonoperating gains was \$16,571 and \$42,797 of depreciation expense for 2004 and 2003, respectively.

Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS

NOTE 5 RENTAL PROPERTY

The Hospital owns a doctor's clinic located in Perry, Iowa. The clinic is valued at the Hospital's cost net of accumulated depreciation.

| | <u>June 30, 2004</u> | | <u>June 30, 2003</u> | |
|----------|----------------------|---------------------------------|----------------------|---------------------------------|
| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>Cost</u> | <u>Accumulated depreciation</u> |
| Land | \$ 844 | \$ - | \$ 844 | \$ - |
| Building | <u>1,084,894</u> | <u>798,222</u> | <u>1,084,894</u> | <u>781,651</u> |
| Totals | <u>\$1,085,738</u> | <u>\$ 798,222</u> | <u>\$1,085,738</u> | <u>\$ 781,651</u> |

Rental income for the clinic is reported net of related expense as a nonoperating gain.

NOTE 6 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. In addition to the approved charity care described above, the Hospital believes that other uncollected charges would be approved under its charity care policy if the patient's financial situation was shared with the Hospital. Due to that information not always being available, the Hospital estimates approximately 50% of uncollectible patient accounts are in fact charity care and are being reported accordingly. 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> |
|--|-------------------|-------------------|
| Approved charity care | \$ 12,571 | \$ 9,890 |
| Estimated charity care | <u>280,126</u> | <u>259,261</u> |
| Totals | <u>\$ 292,697</u> | <u>\$ 269,151</u> |
| Equivalent percentage of charity care to all patients served | <u>3.0%</u> | <u>3.1%</u> |

NOTE 7 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.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2004 may result in the assertion of additional 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.

**Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS**

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 \$169,545, \$171,615 and \$167,875, respectively, equal to the required contributions for each year.

NOTE 9 EMPLOYEE BENEFITS

The Hospital has developed a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$30,000 per person. Expense under this self-insurance program, which include claims, administration fees and stop-loss insurance premiums, for the years ended June 30, 2004 and 2003 was \$263,127 and \$322,263, respectively.

NOTE 10 HOSPITAL 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 for the past three years.

NOTE 11 LONG-TERM DEBT

Hospital Revenue Bonds

The Board of Trustees adopted a resolution to issue a \$3,360,000 Hospital Revenue Bonds Series 2002 dated July 1, 2002, to finance a facility expansion and improvement project. The bonds are payable in annual installments ranging from \$110,000 to \$265,000 through June, 2022 with interest payable semiannually at 3.50% to 5.90%. The Bond resolution requires, among other things, the establishment of a "Debt Service Reserve Fund" (the Reserve Fund) to be held by the issuer for the purpose of paying principal and interest on the Bonds when sufficient moneys are unavailable in the "Principal and Interest Sinking Fund" (the Sinking Fund) into which the loan repayments are deposited in order to pay the principal and interest on the Bonds. A balance of \$280,000 must be maintained in the Reserve Fund.

| Outstanding June 30 | |
|----------------------------|-------------|
| 2004 | 2003 |

| | | |
|--|--------------------|--------------------|
| | \$3,145,000 | \$3,255,000 |
|--|--------------------|--------------------|

**Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 LONG-TERM DEBT (continued)

| | Outstanding June 30 | |
|--|----------------------------|--------------------|
| | 2004 | 2003 |
| Obligation under Capital Leases | | |
| The Hospital has entered into two agreements to acquire medical equipment under capital leases. The related liability under the leases is \$650,452, which is net of unamortized interest of \$69,942. The obligation under the first lease calls for monthly installments of \$8,421 through November, 2008, including interest at a rate of 4.53%. The obligation under the second lease calls for monthly installments of \$4,894 through February, 2009, including interest at 4.51%. The total amount capitalized under the leases is \$716,400 with related accumulated amortization of \$71,640 at June 30, 2004. | 650,452 | — |
| Less current maturities | 3,795,452 | 3,255,000 |
| | 248,061 | 110,000 |
| Total long-term debt | <u>\$3,547,391</u> | <u>\$3,145,000</u> |

The following summarizes the maturities of long-term debt:

| Year ending June 30 | Capital lease obligations | | Revenue notes payable | |
|----------------------------|----------------------------------|------------------|------------------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2005 | \$ 133,061 | \$ 26,723 | \$ 115,000 | \$ 162,743 |
| 2006 | 139,216 | 20,568 | 120,000 | 158,430 |
| 2007 | 145,654 | 14,130 | 125,000 | 153,630 |
| 2008 | 152,391 | 7,393 | 130,000 | 148,380 |
| 2009 | 80,130 | 1,128 | 135,000 | 142,725 |
| 2010-2014 | — | — | 770,000 | 612,172 |
| 2015-2019 | — | — | 1,000,000 | 390,112 |
| 2020-2022 | — | — | 750,000 | 89,668 |
| Totals | <u>\$ 650,452</u> | <u>\$ 69,942</u> | <u>\$3,145,000</u> | <u>\$1,857,860</u> |

Long-term debt activity for the years ended June 30, 2004 and 2003 follows:

| | Beginning balance | Additions | Reductions | Ending balance | Amounts due within one year |
|---------------------------------|--------------------------|-------------------|-------------------|-----------------------|------------------------------------|
| 2004 | | | | | |
| Hospital revenue bonds | \$3,255,000 | \$ — | \$ 110,000 | \$3,145,000 | \$ 115,000 |
| Obligations under capital lease | — | 716,400 | 65,948 | 650,452 | 133,061 |
| Totals | <u>\$3,255,000</u> | <u>\$ 716,400</u> | <u>\$ 175,948</u> | <u>\$3,795,452</u> | <u>\$ 248,061</u> |
| 2003 | | | | | |
| Hospital revenue bonds | \$ — | \$3,360,000 | \$ 105,000 | \$3,255,000 | \$ 110,000 |

**Dallas County Hospital
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

| | June 30 | |
|---|------------------------|-----------------------|
| | 2004 | 2003 |
| Receivable from patients | \$ 385,671 | \$ 411,984 |
| Receivable from insurance carriers | 502,402 | 302,884 |
| Receivable from Medicare | 636,075 | 466,347 |
| Receivable from Medicaid | <u>76,406</u> | <u>55,513</u> |
| Total patient receivables | 1,600,554 | 1,236,728 |
| Less allowances for contractual and other adjustments | <u>(481,599)</u> | <u>(343,863)</u> |
| Totals | <u>\$1,118,955</u> | <u>\$ 892,865</u> |

NOTE 13 DALLAS COUNTY HOSPITAL FOUNDATION

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Dallas County Hospital Foundation is a component unit of the Hospital as of June 30, 2004. The Dallas County Hospital Foundation has been established to raise funds to support the operations and other activities of the Dallas County Hospital. The Foundation is considered to be a component unit of the Hospital based upon the significance of the related benefit to the Hospital. The Foundation's audited statement of financial position, statement of activities and statement of cash flows as of and for the year ended June 30, 2004 are included on pages 17 - 19.

The Foundation constructed a senior housing facility on the campus of Dallas County Hospital (the Spring Valley Project). Included in the project is a limited guarantee agreement by Dallas County Hospital (the Hospital) with Bankers Trust Company, N.A. (the Trustee). The agreement provides that the Hospital would replenish Hospital Fund, Incorporated's Debt Service Reserve Fund up to its required amount (approximately \$389,000) if funds from the Spring Valley Project are insufficient to maintain the Fund at the required amount. The obligations of the Hospital under the agreement will remain in effect until the date on which the entire principal and interest on the bonds is provided for. The Hospital has represented that it is its present intention, but not its obligation, to replenish deficiencies in the Reserve Fund as they may exist from time to time, until the bonds are paid in full.

The Hospital also provides management services, employees and meals and maintenance services for the Spring Valley facility. Hospital Fund, Inc. reimburses the Hospital periodically for these services, which totaled approximately \$579,000 for 2004 and \$290,000 for 2003.

In addition, the Hospital provided a \$500,000 loan to the Foundation which will be repaid as funds become available.

**INDEPENDENT AUDITOR'S REPORT ON THE REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

Board of Trustees
Dallas County Hospital
Perry, Iowa

Our reports on our audits of the basic financial statements of Dallas County Hospital 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 required and other supplementary 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
September 16, 2004

REQUIRED SUPPLEMENTARY INFORMATION

Dallas County Hospital
BUDGET COMPARISON SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS, BUDGET AND ACTUAL
Year ended June 30, 2004

The following is a comparison of reported amounts to budget:

| | Reported amounts (GAAP basis) | | Budget basis adjustments | Budget basis | Adopted budget |
|---------------------------------|--|----|---|-------------------------|---------------------------|
| | General funds | | | | |
| Amount to be raised by taxation | \$ 1,284,173 | \$ | - | \$ 1,284,173 | \$ 1,301,113 |
| Other revenues/receipts | <u>8,266,154</u> | | <u>716,400</u> | <u>8,982,554</u> | <u>15,465,510</u> |
| | 9,550,327 | | 716,400 | 10,266,727 | 16,766,623 |
| Expenses/expenditures | <u>8,634,952</u> | | <u>3,373,623</u> | <u>12,008,575</u> | <u>16,389,244</u> |
| Net | 915,375 | | (2,657,223) | (1,741,848) | 377,379 |
| Balance, beginning | <u>10,466,288</u> | | <u>(3,434,900)</u> | <u>7,031,388</u> | <u>6,992,879</u> |
| Balance, ending | <u>\$11,381,663</u> | | <u>\$(6,092,123)</u> | <u>\$ 5,289,540</u> | <u>\$ 7,370,258</u> |

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

OTHER SUPPLEMENTARY INFORMATION

**Dallas County 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 in-house and unbilled) | \$ 757,242 | \$ 696,909 | 47.32% | 56.35% |
| 31 - 60 days | 342,728 | 156,720 | 21.41 | 12.67 |
| 61 - 90 days | 179,796 | 88,033 | 11.23 | 7.12 |
| 91 - 180 days | 163,994 | 160,354 | 10.25 | 12.97 |
| 181 - 365 days | 123,766 | 74,127 | 7.73 | 5.99 |
| Over one year | <u>33,028</u> | <u>60,585</u> | <u>2.06</u> | <u>4.90</u> |
| Total | <u>1,600,554</u> | <u>1,236,728</u> | <u>100.00%</u> | <u>100.00%</u> |
| Allowances | | | | |
| Contractual | 301,089 | 155,362 | | |
| Uncollectibles | <u>180,510</u> | <u>188,501</u> | | |
| Total allowances | <u>481,599</u> | <u>343,863</u> | | |
| Totals | <u>\$1,118,955</u> | <u>\$ 892,865</u> | | |
| NET PATIENT SERVICE REVENUE PER CALENDAR DAY | <u>\$ 21,880</u> | <u>\$ 20,367</u> | | |
| NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR | <u>51</u> | <u>44</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 | \$ 188,501 | \$ 222,090 | | |
| ADD | | | | |
| Provision for bad debts | 131,612 | 139,417 | 1.64% | 1.88% |
| Recoveries of accounts previously written off | 150,970 | 98,599 | 1.89 | 1.33 |
| LESS | | | | |
| Accounts written off | <u>(290,573)</u> | <u>(271,605)</u> | (3.63) | (3.65) |
| BALANCE , ending | <u>\$ 180,510</u> | <u>\$ 188,501</u> | | |

**Dallas County Hospital
INVENTORIES**

| | <u>June 30</u> | |
|---------------------------------------|-------------------|-------------------|
| | <u>2004</u> | <u>2003</u> |
| Storeroom and other location supplies | \$ 130,357 | \$ 135,483 |
| Pharmacy | 86,609 | 98,092 |
| Laboratory | 22,605 | 26,676 |
| Dietary | <u>11,037</u> | <u>11,059</u> |
| Totals | <u>\$ 250,608</u> | <u>\$ 271,310</u> |

**Dallas County Hospital
PATIENT SERVICE REVENUE**

| | <u>Total</u> | |
|---|---------------------------|--------------------|
| | <u>Year ended June 30</u> | |
| | <u>2004</u> | <u>2003</u> |
| DAILY PATIENT SERVICES | | |
| Medical and surgical | \$ 421,746 | \$ 340,607 |
| Swing bed | 536,573 | 366,897 |
| Special care unit | 120,950 | 71,755 |
| | <u>1,079,269</u> | <u>779,259</u> |
| OTHER NURSING SERVICES | | |
| Operating and recovery room | 1,160,817 | 1,144,254 |
| Medical and surgical supplies | 42,806 | 46,116 |
| Intravenous therapy | 120,018 | 143,913 |
| Emergency room | <u>1,366,296</u> | <u>1,364,727</u> |
| | <u>2,689,937</u> | <u>2,699,010</u> |
| OTHER PROFESSIONAL SERVICES | | |
| Anesthesiology | 144,249 | 144,384 |
| Radiology | 629,139 | 593,682 |
| Ultrasound | 211,688 | 218,279 |
| Nuclear medicine | 32,377 | 32,484 |
| CT scans | 626,075 | 497,381 |
| Magnetic resonance imaging | 167,961 | - |
| Laboratory | 1,135,915 | 1,093,547 |
| Blood transfusion | 19,844 | 17,511 |
| Pharmacy | 1,340,969 | 1,152,758 |
| Electrocardiology | 78,181 | 65,853 |
| Physical therapy | 779,570 | 769,915 |
| Respiratory therapy | 340,280 | 226,149 |
| Speech therapy | 18,931 | 21,333 |
| Cardiac Rehab. Phase II | 59,853 | 81,258 |
| Patient observation | 46,292 | 53,411 |
| Occupational therapy | 142,642 | 97,786 |
| Echocardiology | <u>225,390</u> | <u>205,164</u> |
| | <u>5,999,356</u> | <u>5,270,895</u> |
| | 9,768,562 | 8,749,164 |
| Charity care charges foregone, based on established rates | <u>(292,697)</u> | <u>(269,151)</u> |
| Total gross patient service revenue | 9,475,865 | 8,480,013 |
| Provisions for contractual and other adjustments | <u>(1,467,748)</u> | <u>(1,046,169)</u> |
| Net patient service revenue | <u>\$8,008,117</u> | <u>\$7,433,844</u> |

| <u>Inpatient</u> | | <u>Outpatient</u> | | <u>Swing bed</u> | |
|---------------------------|--------------------|---------------------------|--------------------|---------------------------|-------------------|
| <u>Year ended June 30</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> | <u>2004</u> | <u>2003</u> |
| \$ 421,746 | \$ 340,607 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 536,573 | 366,897 |
| 120,950 | 71,755 | - | - | - | - |
| <u>542,696</u> | <u>412,362</u> | <u>-</u> | <u>-</u> | <u>536,573</u> | <u>366,897</u> |
| 54,090 | 88,553 | 1,094,040 | 1,054,654 | 12,687 | 1,047 |
| 27,750 | 27,347 | 14,989 | 18,341 | 67 | 428 |
| 54,722 | 62,791 | 38,045 | 49,494 | 27,251 | 31,628 |
| <u>32,927</u> | <u>34,967</u> | <u>1,333,352</u> | <u>1,328,986</u> | <u>17</u> | <u>774</u> |
| <u>169,489</u> | <u>213,658</u> | <u>2,480,426</u> | <u>2,451,475</u> | <u>40,022</u> | <u>33,877</u> |
| 10,107 | 15,964 | 132,394 | 128,116 | 1,748 | 304 |
| 20,145 | 22,240 | 601,359 | 564,922 | 7,635 | 6,520 |
| 5,301 | 10,309 | 204,894 | 205,719 | 1,493 | 2,251 |
| - | 556 | 31,565 | 31,928 | 812 | - |
| 53,211 | 46,010 | 565,384 | 437,312 | 7,480 | 14,059 |
| - | - | 167,961 | - | - | - |
| 124,920 | 107,030 | 981,212 | 965,020 | 29,783 | 21,497 |
| 7,649 | 6,828 | 11,431 | 9,313 | 764 | 1,370 |
| 218,417 | 191,316 | 930,972 | 813,091 | 191,580 | 148,351 |
| 8,877 | 6,852 | 68,692 | 57,830 | 612 | 1,171 |
| 8,481 | 8,157 | 680,412 | 690,564 | 90,677 | 71,194 |
| 163,519 | 119,685 | 42,961 | 15,275 | 133,800 | 91,189 |
| 1,561 | 2,378 | 15,040 | 14,743 | 2,330 | 4,212 |
| - | - | 59,853 | 81,258 | - | - |
| 340 | 263 | 45,952 | 53,148 | - | - |
| 2,128 | 1,849 | 106,533 | 70,795 | 33,981 | 25,142 |
| <u>8,787</u> | <u>7,617</u> | <u>208,676</u> | <u>192,020</u> | <u>7,927</u> | <u>5,527</u> |
| <u>633,443</u> | <u>547,054</u> | <u>4,855,291</u> | <u>4,331,054</u> | <u>510,622</u> | <u>392,787</u> |
| <u>\$1,345,628</u> | <u>\$1,173,074</u> | <u>\$7,335,717</u> | <u>\$6,782,529</u> | <u>\$1,087,217</u> | <u>\$ 793,561</u> |

Dallas County Hospital
PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS

| | Year ended June 30 | |
|-------------------------|---------------------------|-----------------|
| | 2004 | 2003 |
| Contractual adjustments | | |
| Medicare | \$ 711,766 | \$ 421,342 |
| Medicaid | 112,854 | 6,932 |
| Other | 511,516 | 478,478 |
| Provision for bad debts | 131,612 | 139,417 |
| Totals | \$1,467,748 | \$1,046,169 |

OTHER REVENUE

| | Year ended June 30 | |
|---------------------------------|---------------------------|----------------|
| | 2004 | 2003 |
| Employee and guest meals | \$ 184,848 | \$ 179,832 |
| Lifeline, net of expenses | 18,968 | 13,783 |
| Physician billing | 4,610 | 20,310 |
| Child day care, net of expenses | 22,187 | (10,982) |
| Wear House, net of expenses | (5,126) | 8,662 |
| Miscellaneous | 78,794 | 92,674 |
| Totals | \$ 304,281 | \$ 304,279 |

**Dallas County Hospital
NURSING SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|---|---------------------------|------------------------|
| | <u>2004</u> | <u>2003</u> |
| NURSING ADMINISTRATION | | |
| Supplies and expenses | \$ <u>58</u> | \$ <u>43</u> |
| MEDICAL AND SURGICAL | | |
| Salaries | 695,208 | 638,384 |
| Supplies and expenses | <u>36,007</u> | <u>41,303</u> |
| | <u>731,215</u> | <u>679,687</u> |
| PATIENT CARE COORDINATOR | | |
| Salaries | 12,785 | - |
| Professional fees | - | 130 |
| Supplies and expenses | <u>3,967</u> | <u>279</u> |
| | <u>16,752</u> | <u>409</u> |
| OPERATING AND RECOVERY ROOM AND CENTRAL SUPPLY | | |
| Salaries | 192,942 | 194,025 |
| Supplies and expenses | 213,718 | 164,861 |
| Intravenous solutions | <u>3,404</u> | <u>1,051</u> |
| | <u>410,064</u> | <u>359,937</u> |
| EMERGENCY ROOM | | |
| Salaries | 314,302 | 338,387 |
| Professional fees | 561,579 | 530,827 |
| Supplies and expenses | <u>49,224</u> | <u>41,421</u> |
| | <u>925,105</u> | <u>910,635</u> |
| QUALITY ASSURANCE | | |
| Salaries | 53,337 | 48,666 |
| Supplies and expenses | <u>41,244</u> | <u>27,766</u> |
| | <u>94,581</u> | <u>76,432</u> |
| Totals | <u>\$2,177,775</u> | <u>\$2,027,143</u> |

**Dallas County Hospital
OTHER PROFESSIONAL SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|--------------------|
| | <u>2004</u> | <u>2003</u> |
| ANESTHESIOLOGY | | |
| Professional fees | \$ 96,135 | \$ 94,673 |
| Supplies and expenses | <u>7,251</u> | <u>4,901</u> |
| | <u>103,386</u> | <u>99,574</u> |
| RADIOLOGY | | |
| Salaries | 209,129 | 175,319 |
| Professional fees | 16,589 | 18,628 |
| Supplies and expenses | <u>96,750</u> | <u>78,547</u> |
| | <u>322,468</u> | <u>272,494</u> |
| MAGNETIC RESONANCE IMAGING | | |
| Professional fees | <u>45,925</u> | <u>—</u> |
| NUCLEAR MEDICINE | | |
| Professional fees | <u>19,445</u> | <u>19,975</u> |
| LABORATORY | | |
| Salaries | 185,518 | 179,212 |
| Professional fees | 5,394 | 8,125 |
| Supplies and expenses | <u>250,313</u> | <u>252,512</u> |
| | <u>441,225</u> | <u>439,849</u> |
| PHARMACY | | |
| Salaries | 19,649 | 16,957 |
| Professional fees | 120,089 | 94,805 |
| Drugs | 445,912 | 351,036 |
| Supplies and expenses | <u>35,918</u> | <u>30,452</u> |
| | <u>621,568</u> | <u>493,250</u> |
| PHYSICAL THERAPY | | |
| Professional fees | 283,163 | 280,776 |
| Supplies and expenses | <u>10,735</u> | <u>7,583</u> |
| | <u>293,898</u> | <u>288,359</u> |
| RESPIRATORY THERAPY, ELECTROCARDIOLOGY AND ECHOCARDIOLOGY | | |
| Salaries | 117,895 | 94,768 |
| Professional fees | 99,127 | 91,569 |
| Supplies and expenses | <u>28,580</u> | <u>36,361</u> |
| | <u>245,602</u> | <u>222,698</u> |
| SPEECH THERAPY | | |
| Professional fees | <u>7,039</u> | <u>7,753</u> |
| CARDIAC REHABILITATION | | |
| Salaries | 58,642 | 73,893 |
| Supplies and expenses | <u>2,918</u> | <u>3,798</u> |
| | <u>61,560</u> | <u>77,691</u> |
| OCCUPATIONAL THERAPY | | |
| Professional fees | <u>51,998</u> | <u>35,675</u> |
| MEDICAL RECORDS | | |
| Salaries | 149,317 | 153,543 |
| Supplies and expenses | <u>37,211</u> | <u>30,686</u> |
| | <u>186,528</u> | <u>184,229</u> |
| Totals | <u>\$2,400,642</u> | <u>\$2,141,547</u> |

**Dallas County Hospital
GENERAL SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|-----------------------|
| | <u>2004</u> | <u>2003</u> |
| DIETARY | | |
| Salaries | \$ 166,291 | \$ 158,259 |
| Professional fees | 156 | 236 |
| Food | 129,511 | 115,463 |
| Supplies and expenses | <u>57,838</u> | <u>42,712</u> |
| | <u>353,796</u> | <u>316,670</u> |
| OPERATION OF PLANT | | |
| Salaries | 63,136 | 84,417 |
| Fuel | 101,256 | 130,026 |
| Utilities | 126,292 | 123,480 |
| Repairs and maintenance | 73,304 | 126,875 |
| Supplies and expenses | <u>92,821</u> | <u>25,959</u> |
| | <u>456,809</u> | <u>490,757</u> |
| ENVIRONMENTAL SERVICES | | |
| Salaries | 116,614 | 108,052 |
| Supplies, expenses, laundry service and linens | <u>56,573</u> | <u>45,083</u> |
| | <u>173,187</u> | <u>153,135</u> |
| Totals | <u>\$ 983,792</u> | <u>\$ 960,562</u> |

**Dallas County Hospital
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|--------------------|
| | <u>2004</u> | <u>2003</u> |
| FISCAL AND ADMINISTRATIVE SERVICE | | |
| Administration | | |
| Salaries | \$ 670,027 | \$ 594,107 |
| Professional fees | 169,539 | 154,290 |
| Collection fees | 93,176 | 59,608 |
| Telephone | 21,451 | 22,927 |
| Equipment rental and repair | 11,554 | 13,472 |
| Supplies and expenses | 157,319 | 138,916 |
| Physician recruitment | <u>3,053</u> | <u>4,165</u> |
| | <u>1,126,119</u> | <u>987,485</u> |
| Human Resources | | |
| Salaries | 58,807 | 53,819 |
| Supplies and expenses | <u>23,824</u> | <u>13,594</u> |
| | <u>82,631</u> | <u>67,413</u> |
| Purchasing | | |
| Salaries | 48,987 | 50,999 |
| Supplies and expenses | <u>5,909</u> | <u>7,034</u> |
| | <u>54,896</u> | <u>58,033</u> |
| Accounting/Information Technology | | |
| Salaries | 111,503 | 107,660 |
| Professional fees | 53,994 | 47,208 |
| Supplies and expenses | <u>64,434</u> | <u>39,803</u> |
| | <u>229,931</u> | <u>194,671</u> |
| Wellness | | |
| Salaries | 1,088 | - |
| Supplies and expenses | <u>2,064</u> | <u>-</u> |
| | <u>3,152</u> | <u>-</u> |
| Auxiliary and Volunteers | | |
| Salaries | 14,470 | - |
| Supplies and expenses | <u>630</u> | <u>-</u> |
| | <u>15,100</u> | <u>-</u> |
| Total fiscal and administrative services | <u>1,511,829</u> | <u>1,307,602</u> |
| UNASSIGNED EXPENSES | | |
| Employee benefits | | |
| FICA | 221,534 | 238,217 |
| IPERS | 169,545 | 171,615 |
| Workers' compensation | 35,256 | 30,067 |
| Group health insurance | 263,127 | 322,263 |
| Long-term disability | 32,237 | 32,376 |
| Insurance | <u>105,103</u> | <u>81,649</u> |
| Total unassigned expenses | <u>826,802</u> | <u>876,187</u> |
| Totals | <u>\$2,338,631</u> | <u>\$2,183,789</u> |

**Dallas County Hospital
COMPARATIVE REVENUE AND EXPENSES**

| | Year ended June 30 | |
|--|---------------------------|--------------------|
| | 2004 | 2003 |
| NET PATIENT SERVICE REVENUE | \$8,008,117 | \$7,433,844 |
| OTHER REVENUE | <u>304,281</u> | <u>304,279</u> |
| Total revenue | <u>8,312,398</u> | <u>7,738,123</u> |
| EXPENSES | | |
| Salaries | 3,259,647 | 3,070,467 |
| Supplies, professional fees and other expenses | 4,641,193 | 4,242,574 |
| Provision for depreciation and amortization | <u>734,112</u> | <u>542,343</u> |
| Total expenses | <u>8,634,952</u> | <u>7,855,384</u> |
| Operating (loss) | <u>(322,554)</u> | <u>(117,261)</u> |
| NONOPERATING GAINS | | |
| County taxes | 1,284,173 | 1,344,263 |
| Interest expense | (161,872) | (79) |
| (Loss) on sale of assets | - | (29,915) |
| Investment income | 160,431 | 227,800 |
| Rental property, net | 8,438 | 14,489 |
| Unrestricted contributions | - | 693 |
| Donated equipment | <u>(53,241)</u> | <u>-</u> |
| Total nonoperating gains | <u>1,237,929</u> | <u>1,557,251</u> |
| Excess of revenue and gains over expenses | <u>\$ 915,375</u> | <u>\$1,439,990</u> |

**Dallas County Hospital
COMPARATIVE STATISTICS**

| | Year ended June 30 | |
|-------------------------------|---------------------------|--------------------|
| | <u>2004</u> | <u>2003</u> |
| PATIENT DAYS | | |
| Medical and surgical | 1,142 | 924 |
| Swing bed | <u>1,316</u> | <u>952</u> |
| Totals | <u>2,458</u> | <u>1,876</u> |
| ADMISSIONS | | |
| Acute | 348 | 270 |
| Swing bed | <u>164</u> | <u>130</u> |
| Totals | <u>512</u> | <u>400</u> |
| DISCHARGES | | |
| Acute | 332 | 279 |
| Swing bed | <u>150</u> | <u>120</u> |
| Totals | <u>482</u> | <u>399</u> |
| AVERAGE LENGTH OF STAY | | |
| Acute | 3.44 | 3.31 |
| Swing bed | 8.77 | 7.93 |
| BEDS | | |
| Acute | 25 | 25 |
| OCCUPANCY PERCENT | | |
| Acute | 12.48% | 10.12% |

**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**

To the Board of Trustees
Dallas County Hospital
Perry, Iowa

We have audited the financial statements of Dallas County Hospital as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 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 Dallas County 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 operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Dallas County 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 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 Part II of 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 Dallas 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

West Des Moines, Iowa
September 16, 2004

**Dallas County 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.

**Dallas County 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 actual operating expenses with budget basis 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 Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy.