

GUTTENBERG MUNICIPAL HOSPITAL
GUTTENBERG, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

GUTTENBERG MUNICIPAL HOSPITAL

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**GUTTENBERG MUNICIPAL HOSPITAL
BOARD OF TRUSTEES AND HOSPITAL OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Trustees</u>	
Kathy Lansing	Chairperson	December 2007
Steve Staebler	Vice-Chairperson	December 2005
James Kuempel	Secretary/Treasurer	December 2005
Penny Hansel	Member	December 2007
Mary Eulberg	Member	December 2007
	<u>Hospital Officials</u>	
Kim Gau	Administrator	



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, Iowa

We have audited the accompanying balance sheets of **Guttenberg Municipal Hospital** as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Guttenberg Municipal Hospital** as of June 30, 2004 and 2003, and the changes in its financial position 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, effective July 1, 2003, **Guttenberg Municipal Hospital** adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. As a result, the Hospital changed its accounting policy related to financial statement presentation to comply with the provisions of GASB Statements No. 34 and No. 37. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2004, on our consideration of **Guttenberg Municipal Hospital's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 and 5 and the Budgetary Comparison Information on page 22 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Erin Bailey LLP

Dubuque, Iowa
November 4, 2004

Guttenberg Municipal Hospital

Management's Discussion and Analysis

June 30, 2004

This section of Guttenberg Municipal Hospital's annual financial report presents background information and management's analysis of the financial performance during the fiscal year that ended June 30, 2004. We encourage readers to read this analysis in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total assets increased by \$359,291, or 5.6%.
- The Hospital's current assets exceeded current liabilities by \$1,571,043 at June 30, 2004.
- During the year, the Hospital's total operating revenues increased approximately 19.5% to \$6.3 million, while the operating expenses increased approximately 10.5% to \$5.5 million. The Hospital had income from operations of \$837,942, which is approximately 13% of total operating revenues.
- The Hospital made capital investments totaling \$834,750 during the fiscal year. The source of funding for these items was derived from operations and capital leases. Operations also funded a \$376,313 renovation of the west wing of the Patient Care Unit – dedicated mainly to OB care and the care of newborns.

Overview of the Financial Statements

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

The balance sheets provide information about the nature and amounts of the Hospital's assets and liabilities. The balance sheet at June 30, 2004 indicates total assets of \$6,789,913, total liabilities of \$2,875,974, and net assets of \$3,913,939.

The statements of revenues, expenses and changes in net assets provide information on the Hospital's revenues and expenses. These statements indicate total operating revenues of \$6,375,365 and total operating expenses of \$5,537,423 during fiscal year 2004. The operating income was \$837,942 in 2004, compared to an operating income of \$326,373 in 2003. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenue.

The statement of cash flows provides information about the Hospital's cash from operating, investing and financing activities. As reported in this statement, cash and cash equivalents increased from \$891,852 at July 1, 2003 to \$1,208,990 at June 30, 2004.

**Guttenberg Municipal Hospital
Management's Discussion and Analysis
June 30, 2004**

There are 13 notes to the financial statements included in the audit report. All of the notes are consistent with and similar to audit reports from prior years. There are also several supplementary schedules that provide the reader detail about the source of the Hospital's revenues and expenses. The reader is encouraged to examine these notes and schedules for additional information.

Significant Budget Variations

The most significant budget variance occurred in the operating expense categories relating to the recruitment and acquisition of a surgeon. We were not successful in achieving this goal so did not realize the full expense budgeted for this fiscal year. This created a positive \$100,000 variance in the budget. The surgeon recruitment remains a goal.

Long-term Debt

At year-end, Guttenberg Municipal Hospital had \$2.2 million in short-term and long-term debt. The debt is in the form of revenue bonds issued in 1998.

Factors Bearing on Financial Future

Guttenberg Municipal Hospital will be planning a significant building and remodeling project in the fiscal years ahead. The project will update and expand many of the Hospital's clinical areas. The time-frame for start and completion is not defined as of this writing.

Requests for information

Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Office of Administration at the following address:

Guttenberg Municipal Hospital
2nd and Main Street
P. O. Box 550
Guttenberg, IA 52052

GUTTENBERG MUNICIPAL HOSPITAL
BALANCE SHEETS
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,208,990	\$ 891,852
Assets limited as to use - Note 5	17,094	18,072
Receivables		
Patient, net of estimated uncollectibles of \$326,000 in 2004 and \$262,400 in 2003 - Note 3	648,288	596,505
Estimated third-party payor settlements	65,000	-
Other	35,699	27,770
Supplies (inventories)	141,101	149,009
Prepaid expenses	<u>72,198</u>	<u>54,973</u>
Total current assets	<u>2,188,370</u>	<u>1,738,181</u>
ASSETS LIMITED AS TO USE - Note 5		
Investments		
By board for capital improvements and debt retirement	834,750	849,100
Under bond indenture agreement	<u>17,094</u>	<u>18,072</u>
	851,844	867,172
Less amount required to meet current obligations	<u>(17,094)</u>	<u>(18,072)</u>
Total assets limited as to use, excluding current portion	<u>834,750</u>	<u>849,100</u>
LAND, BUILDINGS, AND EQUIPMENT, net - Note 6	<u>3,451,172</u>	<u>3,558,496</u>
OTHER ASSETS		
Deferred financing costs, net of accumulated amortization of \$16,988 in 2004 and \$13,135 in 2003	38,042	41,897
Gift fund investments - Note 5	127,865	124,424
Deferred compensation - Note 9	149,714	118,109
Notes receivable	<u>-</u>	<u>415</u>
Total other assets	<u>315,621</u>	<u>284,845</u>
Total assets	<u>\$ 6,789,913</u>	<u>\$ 6,430,622</u>

See notes to financial statements.

	<u>2004</u>	<u>2003</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt - Note 8	\$ 160,911	\$ 151,989
Accounts payable		
Trade	70,878	182,188
Estimated third-party payor settlements	-	195,000
Accrued expenses		
Salaries and wages	68,283	52,517
Paid time off	223,034	199,631
Property taxes	63,562	65,000
Payroll taxes and other	<u>30,659</u>	<u>27,119</u>
Total current liabilities	617,327	873,444
LONG-TERM DEBT, less deferred loss on refunding and current maturities - Note 8	2,108,933	2,275,823
OTHER LIABILITIES		
Deferred compensation - Note 9	<u>149,714</u>	<u>118,109</u>
Total liabilities	<u>2,875,974</u>	<u>3,267,376</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,181,328	1,130,684
Restricted	-	15,442
Unrestricted	<u>2,732,611</u>	<u>2,017,120</u>
Total net assets	<u>3,913,939</u>	<u>3,163,246</u>
Total liabilities and net assets	<u>\$ 6,789,913</u>	<u>\$ 6,430,622</u>

GUTTENBERG MUNICIPAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of \$116,725 in 2004 and \$94,679 in 2003) - Notes 2 and 4	\$ 5,908,458	\$ 4,827,159
Other operating revenues	<u>466,907</u>	<u>506,674</u>
TOTAL OPERATING REVENUES	<u>6,375,365</u>	<u>5,333,833</u>
OPERATING EXPENSES		
Salaries and wages	2,289,599	2,078,577
Employee benefits	604,611	514,608
Supplies and other expenses	2,224,166	1,982,538
Depreciation and amortization	<u>419,047</u>	<u>431,737</u>
TOTAL OPERATING EXPENSES	<u>5,537,423</u>	<u>5,007,460</u>
INCOME FROM OPERATIONS	<u>837,942</u>	<u>326,373</u>
NONOPERATING REVENUES (EXPENSES)		
Noncapital grants and contributions	8,920	14,646
Investment income	27,183	34,342
Payment of interest on debt	(125,435)	(140,582)
Gain on disposal of equipment	<u>2,083</u>	<u>6,854</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(87,249)</u>	<u>(84,740)</u>
INCREASE IN NET ASSETS	750,693	241,633
NET ASSETS BEGINNING OF YEAR	<u>3,163,246</u>	<u>2,921,613</u>
NET ASSETS END OF YEAR	<u>\$ 3,913,939</u>	<u>\$ 3,163,246</u>

GUTTENBERG MUNICIPAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of patient service revenue	\$ 5,596,675	\$ 5,088,792
Other receipts	458,978	520,240
Payments of salaries and wages	(2,248,328)	(2,046,868)
Payments of employee benefits	(604,611)	(514,608)
Payments of supplies and other expenses	<u>(2,344,793)</u>	<u>(1,931,027)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>857,921</u>	<u>1,116,529</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants and contributions received	<u>8,920</u>	<u>14,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(310,661)	(216,377)
Restricted contributions received	-	16,107
Proceeds from sale of equipment	4,876	6,854
Payment of interest on debt	(125,435)	(140,582)
Payment of principal on debt	<u>(157,968)</u>	<u>(154,852)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(589,188)</u>	<u>(488,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in notes receivable	415	4,834
Increase in gift fund investments	(3,441)	(14,930)
(Increase) decrease in assets limited as to use	15,328	(38,187)
Investment income received	<u>27,183</u>	<u>34,342</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>39,485</u>	<u>(13,941)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	317,138	628,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>891,852</u>	<u>263,468</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,208,990</u>	<u>\$ 891,852</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF INCOME FROM OPERATIONS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 837,942	\$ 326,373
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	419,047	431,737
Provision for bad debts	(116,725)	(94,679)
Changes in assets and liabilities		
Receivables	(7,987)	174,878
Supplies (inventories)	7,908	(14,703)
Prepaid expenses	(17,225)	(5,664)
Accounts payable	(111,310)	71,878
Estimated third party payor settlements	(195,000)	195,000
Accrued expenses	41,271	31,709
	<u>41,271</u>	<u>31,709</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 857,921</u>	<u>\$ 1,116,529</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Guttenberg Municipal Hospital (Hospital) is a 25-bed public hospital located in Guttenberg, Iowa. It is organized under Chapter 392 of the Iowa Code and governed by a five member Board of Trustees elected for alternating terms of four years. The Hospital has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Reporting Entity

For financial reporting purposes, Guttenberg Municipal Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. 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. Guttenberg Municipal Hospital has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Basis of Presentation

Effective July 1, 2003, the Hospital implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The adoption of these pronouncements had no financial impact on the Hospital.

GASB Statements No. 34 and No. 37 relate to changes in financial statement presentation. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenues, expenses, and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt, unrestricted, and restricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Hospital's practice to use restricted resources first.

The adoption of Statement No. 34 resulted in the previously reported unrestricted fund balance amounts being classified to conform to the above net asset classifications. Additionally, the Hospital restated the 2003 statement of cash flows to conform to the direct method of reporting cash receipts and disbursements.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

Basis of Accounting

The Hospital reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants' *Audits of Providers of Health Care Services* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Hospital applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased, excluding assets limited as to use and gift fund investments.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables are not charged interest on amounts owed.

Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

Supplies (Inventories)

Supplies (inventories) are stated at lower of cost (first-in, first-out) or market.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and debt retirement, over which the Board retains control and may, at its discretion, subsequently use for other purposes; and assets set aside under a bond indenture agreement. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

Restricted Net Assets

Restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Hospital for its stated purposes.

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method taking one-half year depreciation in the year of acquisition. Equipment under capital lease obligations is amortized on the straight-line method over the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest expense related to construction projects is capitalized.

The estimated useful lives of property and equipment are as follows:

Land improvements	8 – 20 years
Buildings and improvements	5 – 40 years
Equipment	5 – 15 years

Advertising Costs

The Hospital expenses advertising costs as incurred.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

Compensated Absences

Hospital employees accumulate a limited amount of earned but unused paid time off hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid time off is recorded as a current liability on the balance sheet. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the effective interest method.

Net Assets

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

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

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

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

Grants and Contributions

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

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's intent to create a policy to use restricted resources before unrestricted resources.

Reclassifications

Certain prior period amounts within the accompanying statements have been reclassified for comparability.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

NOTE 2 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy during the years ended June 30, 2004 and 2003, were \$60,892 and \$10,146, respectively.

NOTE 3 – ESTIMATED ALLOWANCES FOR UNCOLLECTIBLES AND CONTRACTUAL ADJUSTMENTS

Estimated uncollectibles and contractual adjustments include an allowance for doubtful accounts (bad debts), as well as an allowance for contractual adjustments on accounts receivable payments by third-parties who pay for patient services on either a prospective payment or cost basis.

The estimated allowances for uncollectibles and contractual adjustments are comprised of the following:

	<u>2004</u>	<u>2003</u>
Allowance for doubtful accounts	\$ 157,000	\$ 125,700
Allowance for contractual adjustments	<u>169,000</u>	<u>136,700</u>
	<u>\$ 326,000</u>	<u>\$ 262,400</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 4 – 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: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through the period ended June 30, 2002. 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 under contract with the Hospital.

Medicaid: Inpatient and outpatient services rendered to Medicaid program 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 Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2002.

Other Payors: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation.

A summary of net patient service revenue and deductions from patient service revenue for the years ended June 30, 2004 and 2003, is as follows:

	<u>2004</u>	<u>2003</u>
Total patient service revenue	\$ 7,511,146	\$ 6,642,158
Contractual adjustments		
Medicare	(1,057,313)	(1,298,091)
Medicaid	(121,333)	(156,508)
Other	(292,111)	(252,704)
Administrative adjustments/policy discounts	<u>(15,206)</u>	<u>(13,017)</u>
Total deductions from patient service revenue	<u>(1,485,963)</u>	<u>(1,720,320)</u>
Net patient service revenue	6,025,183	4,921,838
Provision for bad debts	<u>(116,725)</u>	<u>(94,679)</u>
Net patient service revenue (net of provision for bad debts)	<u>\$ 5,908,458</u>	<u>\$ 4,827,159</u>

(continued on next page)

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 5 – CASH AND DEPOSITS

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.

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.

Investments reported are not subject to risk categorization. Certificates of deposit and savings accounts classified as investments in the financial statements are presented as cash and deposits in this note.

At June 30, 2004 and 2003, the Hospital's carrying amounts of cash and deposits are as follows:

	<u>2004</u>	<u>2003</u>
Savings accounts	\$ 203,661	\$ 184,419
Certificates of deposit	773,787	803,583
Interest receivable	<u>2,261</u>	<u>3,594</u>
	<u>\$ 979,709</u>	<u>\$ 991,596</u>

NOTE 6 – LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment at June 30, 2004 and 2003, is as follows:

	June 30, 2003				June 30, 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Cost					
Land	\$ 156,564	\$ -	\$ -	\$ -	\$ 156,564
Land improvements	350,355	-	-	-	350,355
Buildings	4,563,629	-	-	348,354	4,911,983
Equipment	2,309,983	11,750	30,864	24,101	2,314,970
Construction in progress	<u>75,732</u>	<u>303,081</u>	<u>6,358</u>	<u>(372,455)</u>	<u>-</u>
	<u>\$ 7,456,263</u>	<u>\$ 314,831</u>	<u>\$ 37,222</u>	<u>\$ -</u>	<u>\$ 7,733,872</u>
Accumulated depreciation					
Land improvements	\$ 201,085	\$ 18,384	\$ -	\$ -	\$ 219,469
Buildings	2,147,231	171,324	-	-	2,318,555
Equipment	<u>1,549,451</u>	<u>209,381</u>	<u>14,156</u>	<u>-</u>	<u>1,744,676</u>
	<u>\$ 3,897,767</u>	<u>\$ 399,089</u>	<u>\$ 14,156</u>	<u>\$ -</u>	<u>\$ 4,282,700</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

	June 30, 2002				June 30, 2003
	Balance	Additions	Deductions	Transfers	Balance
Cost					
Land	\$ 265,559	\$ -	\$ -	\$ (108,995)	\$ 156,564
Land improvements	350,355	-	-	-	350,355
Buildings	4,437,587	7,355	-	118,687	4,563,629
Equipment	2,181,026	168,254	39,297	-	2,309,983
Construction in progress	135	85,289	-	(9,692)	75,732
	<u>\$ 7,234,662</u>	<u>\$ 260,898</u>	<u>\$ 39,297</u>	<u>\$ -</u>	<u>\$ 7,456,263</u>
Accumulated depreciation					
Land improvements	\$ 174,305	\$ 26,780	\$ -	\$ -	\$ 201,085
Buildings	1,979,350	167,881	-	-	2,147,231
Equipment	1,352,265	217,801	20,615	-	1,549,451
	<u>\$ 3,505,920</u>	<u>\$ 412,462</u>	<u>\$ 20,615</u>	<u>\$ -</u>	<u>\$ 3,897,767</u>

NOTE 7 – LEASES

The Hospital leases certain equipment under noncancellable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total rental expense for all operating leases for the years ended June 30, 2004 and 2003, was \$7,933 and \$5,813, respectively. The capitalized leased assets consist of:

	2004	2003
Equipment	\$ 243,728	\$ 243,728
Less accumulated amortization (included as depreciation and amortization on the accompanying financial statements)	<u>(137,409)</u>	<u>(88,664)</u>
	<u>\$ 106,319</u>	<u>\$ 155,064</u>

Minimum future lease payments for the capital leases are as follows:

<u>Year Ending June 30,</u>	
2005	\$ 58,951
2006	<u>23,013</u>
Total minimum lease payments	81,964
Less interest	<u>(6,104)</u>
Present value of minimum lease payments -- Note 8	<u>\$ 75,860</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 8 – LONG-TERM DEBT

A schedule of changes in the Hospital's long-term debt for 2004 and 2003 follows:

	June 30 2003			June 30 2004	Amounts Due Within One Year
	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	
Revenue bonds payable, variable rate currently 4.07%, due in varying monthly installments currently \$10,615, including interest to April 2019, collateralized by a pledge of the Hospital's net revenues	\$ 1,480,974	\$ -	\$ 64,808	\$ 1,416,166	\$ 71,039
Revenue bonds payable, variable rate currently 5.4%, due in varying monthly installments currently \$6,479, including interest to October 2019, collateralized by a pledge of the Hospital's net revenues	836,459	-	34,078	802,381	35,289
Capitalized lease obligations – Note 7	<u>137,131</u>	<u>-</u>	<u>61,271</u>	<u>75,860</u>	<u>54,583</u>
	<u>\$ 2,454,564</u>	<u>\$ -</u>	<u>\$ 160,157</u>	2,294,407	<u>\$ 160,911</u>
Less deferred loss on refunding				(24,563)	
Less current maturities				<u>(160,911)</u>	
Long-term debt, less deferred loss on refunding and current maturities				<u>\$ 2,108,933</u>	

Long-term debt maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 160,911	\$ 103,173	\$ 264,084
2006	132,503	95,645	228,148
2007	116,356	88,778	205,134
2008	121,597	83,539	205,136
2009	127,102	77,687	204,789
Thereafter	<u>1,635,938</u>	<u>412,525</u>	<u>2,048,463</u>
	<u>\$ 2,294,407</u>	<u>\$ 861,347</u>	<u>\$ 3,155,754</u>

(continued on next page)

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

On April 1, 1999, the Hospital issued \$1,639,200 of its Series 1998A revenue bonds with a then current interest rate of 4.07% to refund its Series 1995 revenue bonds dated March 20, 1995, with a then current interest rate of 7.1%. The refunding resulted in an accounting loss which has been deferred and will be amortized over the shorter of the remaining of the old debt or the life of the new debt. The unamortized balance at June 30, 2004, of \$24,563 has been offset against long-term debt on the balance sheet.

	June 30 2002			June 30 2003	Amounts Due Within One Year
	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>One Year</u>
Revenue bonds payable, variable rate currently 5.4%, due in varying monthly installments currently \$11,593, including interest to April 2019, collateralized by a pledge of the Hospital's net revenues	\$ 1,538,420	\$ -	\$ 57,446	\$ 1,480,974	\$ 64,808
Revenue bonds payable, variable rate currently 5.4%, due in varying monthly installments currently \$6,479, including interest to October 2019, collateralized by a pledge of the Hospital's net revenues	867,698	-	31,239	836,459	34,078
Capitalized lease obligations	<u>163,410</u>	<u>34,900</u>	<u>61,179</u>	<u>137,131</u>	<u>53,103</u>
	<u>\$ 2,569,528</u>	<u>\$ 34,900</u>	<u>\$ 149,864</u>	2,454,564	<u>\$ 151,989</u>
Less deferred loss on refunding				(26,752)	
Less current maturities				<u>(151,989)</u>	
Long-term debt, less deferred loss on refunding and current maturities				<u>\$ 2,275,823</u>	

NOTE 9 – DEFERRED COMPENSATION

Public hospital employees are eligible to defer payment of federal and state income taxes on money deposited in a Section 457 deferred compensation plan, a voluntary individual supplementary retirement program under which contributions paid by a public employer for an annuity are not taxed as current income to the employee. Hospital group holdings in the plan at June 30, 2004, are \$149,714, comprised of \$117,268 in contributions less withdrawals and \$32,446 in net earnings.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

NOTE 10 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the Hospital is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The Hospital's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$129,766, \$117,805, and \$113,101, respectively, equal to the required contributions for each year.

NOTE 11 – MALPRACTICE INSURANCE

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

NOTE 12 – RISK MANAGEMENT

Guttenberg Municipal 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 13 – CONCENTRATION OF CREDIT RISK

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

	<u>2004</u>	<u>2003</u>
Medicare	42%	28%
Medicaid	4	7
Commercial and other insurance	30	41
Other third-party payors and patients	<u>24</u>	<u>24</u>
	<u>100%</u>	<u>100%</u>



Consultants • Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, Iowa

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The 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.

Eide Bailly LLP

Dubuque, Iowa
November 4, 2004

GUTTENBERG MUNICIPAL HOSPITAL
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NETASSETS – BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30, 2004

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Amended Budget	Variance Favorable (Unfavorable)
Estimated other revenues/ receipts	\$ 6,413,551	\$ (436,125)	\$ 5,977,426	\$ 5,714,000	\$ 263,426
Expenses/disbursements	<u>5,662,858</u>	<u>9,317</u>	<u>5,672,175</u>	<u>5,714,000</u>	<u>41,825</u>
Net	750,693	(445,442)	305,251	-	<u>\$ 305,251</u>
Balance beginning of year	<u>3,163,246</u>	<u>(1,279,798)</u>	<u>1,883,448</u>	<u>1,775,984</u>	
Balance end of year	<u>\$ 3,913,939</u>	<u>\$ (1,725,240)</u>	<u>\$ 2,188,699</u>	<u>\$ 1,775,984</u>	

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
PATIENT SERVICE REVENUE		
Routine services	\$ 1,284,687	\$ 1,171,662
Nursery	31,146	31,462
Operating and recovery rooms	606,291	526,120
Delivery and labor rooms	44,959	45,162
Central services and supply	311,838	343,470
Emergency services	226,252	215,201
Ambulance services	137,732	139,000
Laboratory and blood bank	1,421,375	1,157,766
Electrocardiology	211,046	190,597
Imaging services	1,297,141	1,198,387
Pharmacy	904,791	614,760
Anesthesiology	301,181	294,421
Respiratory therapy	158,609	123,444
Physical therapy	488,899	446,847
Occupational and speech therapy	76,917	85,725
Cardiac rehab	47,556	41,389
Specialty clinics	5,550	3,441
Mental health	5,078	14,805
Nutritional services	1,302	1,340
Diabetes management	9,688	7,305
	<u>7,572,038</u>	<u>6,652,304</u>
Charity care	<u>(60,892)</u>	<u>(10,146)</u>
	<u>\$ 7,511,146</u>	<u>\$ 6,642,158</u>
*TOTAL PATIENT SERVICE REVENUE - RECLASSIFIED		
Inpatient revenue	\$ 3,506,187	\$ 2,972,535
Outpatient revenue	4,065,851	3,679,769
Charity care	<u>(60,892)</u>	<u>(10,146)</u>
Total patient service revenue	<u>7,511,146</u>	<u>6,642,158</u>
DEDUCTIONS FROM PATIENT SERVICE REVENUE		
Contractual adjustments	(1,470,757)	(1,707,303)
Administrative adjustments/policy discounts	<u>(15,206)</u>	<u>(13,017)</u>
Total deductions from patient service revenue	<u>(1,485,963)</u>	<u>(1,720,320)</u>
NET PATIENT SERVICE REVENUE	6,025,183	4,921,838
PROVISION FOR BAD DEBTS	<u>(116,725)</u>	<u>(94,679)</u>
NET PATIENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS)	<u>\$ 5,908,458</u>	<u>\$ 4,827,159</u>

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
OTHER OPERATING REVENUES		
Grants	\$ 93,352	\$ 124,672
Office rent	98,573	101,813
Child care	89,705	91,813
Contracted services	31,319	28,202
Lab reference services	44,667	42,935
Cafeteria	25,631	26,812
Fitness center memberships	22,033	21,540
Physical therapy services	34,797	16,413
Business health	10,581	11,677
Dietary services	1,073	10,769
Medical record fees	2,173	6,128
Drugs and supplies sold to non-patients	3,208	5,094
Housekeeping services	1,245	3,830
Health education reimbursement and fees	285	565
Other	<u>8,265</u>	<u>14,411</u>
TOTAL OTHER OPERATING REVENUES	<u>\$ 466,907</u>	<u>\$ 506,674</u>

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
NURSING ADMINISTRATION		
Salaries and wages	\$ 76,556	\$ 67,449
Supplies and other expenses	11,007	5,745
	<u>87,563</u>	<u>73,194</u>
ROUTINE SERVICES		
Salaries and wages	608,866	600,302
Supplies and other expenses	67,871	44,361
	<u>676,737</u>	<u>644,663</u>
NURSERY		
Salaries and wages	13,288	15,392
Supplies and other expenses	3,280	1,463
	<u>16,568</u>	<u>16,855</u>
OPERATING AND RECOVERY ROOMS		
Salaries and wages	41,547	42,520
Supplies and other expenses	119,881	46,181
	<u>161,428</u>	<u>88,701</u>
DELIVERY AND LABOR ROOMS		
Salaries and wages	8,073	8,926
Supplies and other expenses	10,495	2,061
	<u>18,568</u>	<u>10,987</u>
CENTRAL SERVICES AND SUPPLY		
Salaries and wages	26,664	25,660
Supplies and other expenses	67,037	53,402
	<u>93,701</u>	<u>79,062</u>
EMERGENCY SERVICES		
Salaries and wages	28,236	26,498
Medical specialist fees	107,500	92,500
Supplies and other expenses	9,658	5,503
	<u>145,394</u>	<u>124,501</u>
AMBULANCE SERVICES		
Salaries and wages	52,276	55,335
Supplies and other expenses	19,754	12,135
	<u>72,030</u>	<u>67,470</u>
LABORATORY AND BLOOD BANK		
Salaries and wages	222,889	184,182
Professional fees	57,115	54,826
Supplies and other expenses	205,352	185,640
	<u>485,356</u>	<u>424,648</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ELECTROCARDIOLOGY		
Salaries and wages	\$ 6,698	\$ 5,819
Supplies and other expenses	1,091	1,509
	<u>7,789</u>	<u>7,328</u>
IMAGING SERVICES		
Salaries and wages	162,351	155,772
Supplies and other expenses	264,131	232,109
	<u>426,482</u>	<u>387,881</u>
PHARMACY		
Salaries and wages	7,411	7,705
Professional fees	68,341	66,769
Supplies and other expenses	268,375	180,572
	<u>344,127</u>	<u>255,046</u>
ANESTHESIOLOGY		
Professional fees	132,145	138,894
Supplies and other expenses	10,364	3,398
	<u>142,509</u>	<u>142,292</u>
RESPIRATORY THERAPY		
Salaries and wages	20,933	15,944
Supplies and other expenses	2,274	2,480
	<u>23,207</u>	<u>18,424</u>
PHYSICAL THERAPY		
Salaries and wages	135,580	80,249
Professional fees	65,893	76,669
Supplies and other expenses	9,729	7,625
	<u>211,202</u>	<u>164,543</u>
FITNESS CENTER		
Supplies and other expenses	457	1,179
OCCUPATIONAL AND SPEECH THERAPY		
Professional fees	27,025	46,543
Supplies and other expenses	283	237
	<u>27,308</u>	<u>46,780</u>
BUSINESS HEALTH		
Salaries and wages	13,587	12,922
Professional fees	360	1,623
Supplies and other expenses	4,178	6,907
	<u>18,125</u>	<u>21,452</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CARDIAC REHAB		
Salaries and wages	\$ 8,190	\$ 7,406
Supplies and other expenses	760	988
	<u>8,950</u>	<u>8,394</u>
MEDICAL RECORDS		
Salaries and wages	108,837	98,110
Supplies and other expenses	10,864	10,773
	<u>119,701</u>	<u>108,883</u>
DIETARY		
Salaries and wages	77,274	75,190
Food	38,555	42,252
Supplies and other expenses	14,013	15,323
	<u>129,842</u>	<u>132,765</u>
PLANT OPERATION AND MAINTENANCE		
Salaries and wages	42,357	42,041
Utilities	108,026	101,729
Supplies and other expenses	52,619	38,670
	<u>203,002</u>	<u>182,440</u>
HOUSEKEEPING		
Salaries and wages	42,758	38,619
Supplies and other expenses	7,005	8,836
	<u>49,763</u>	<u>47,455</u>
LAUNDRY AND LINEN		
Salaries and wages	11,157	12,287
Supplies and other expenses	3,321	3,478
	<u>14,478</u>	<u>15,765</u>
COMMUNICATIONS		
Salaries and wages	18,211	-
Supplies and other expenses	47,048	48,349
	<u>65,259</u>	<u>48,349</u>
FISCAL SERVICES		
Salaries and wages	179,085	174,648
Supplies and other expenses	62,753	59,002
	<u>241,838</u>	<u>233,650</u>
ADMINISTRATION		
Salaries and wages	183,051	148,872
Management fees	79,583	105,171
Supplies and other expenses	107,565	87,431
	<u>370,199</u>	<u>341,474</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
PURCHASING		
Salaries and wages	\$ 18,237	\$ 17,446
Supplies and other expenses	714	501
	<u>18,951</u>	<u>17,947</u>
CHILD CARE		
Salaries and wages	103,517	100,060
Supplies and other expenses	23,151	21,930
	<u>126,668</u>	<u>121,990</u>
SPECIALTY CLINICS		
Salaries and wages	5,201	5,530
Supplies and other expenses	4,346	3,787
	<u>9,547</u>	<u>9,317</u>
MEDICAL OFFICE BUILDING		
Supplies and other expenses	<u>63,327</u>	<u>65,512</u>
MENTAL HEALTH		
Supplies and other expenses	<u>4,296</u>	<u>9,987</u>
DIABETES MANAGEMENT		
Supplies and other expenses	<u>7,466</u>	<u>6,331</u>
GRANTS		
Salaries and wages	66,769	53,693
Supplies and other expenses	10,905	40,505
	<u>77,674</u>	<u>94,198</u>
UNASSIGNED EXPENSES		
Depreciation and amortization	419,047	431,737
Insurance	44,253	41,652
Employee benefits	604,611	514,608
	<u>1,067,911</u>	<u>987,997</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,537,423</u>	<u>\$ 5,007,460</u>

GUTTENBERG MUNICIPAL HOSPITAL
PATIENT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS
JUNE 30, 2004 AND 2003

ANALYSIS OF AGING

<u>Days Since Discharge</u>	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
In Hospital	\$ 17,525	1.80%	\$ 5,176	.60%
0-30	551,457	56.60	503,911	58.67
31-120	257,837	26.46	241,079	28.07
121-360	88,659	9.10	76,374	8.89
361 and Over	58,810	6.04	32,365	3.77
	974,288	<u>100.00%</u>	858,905	<u>100.00%</u>
Less: Allowance for doubtful accounts	157,000		125,700	
Allowance for contractual adjustments	169,000		136,700	
Net	<u>\$ 648,288</u>		<u>\$ 596,505</u>	

ALLOWANCE FOR DOUBTFUL ACCOUNTS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 125,700	\$ 100,200
Add: Provision for bad debts	116,725	94,679
Recoveries of accounts written off	22,536	18,458
Less: Accounts written off	<u>(107,961)</u>	<u>(87,637)</u>
Balance, end of year	<u>\$ 157,000</u>	<u>\$ 125,700</u>

GUTTENBERG MUNICIPAL HOSPITAL
SUPPLIES (INVENTORIES)
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Storerooms	\$ 96,990	\$ 95,592
Pharmacy	40,562	48,549
Dietary	<u>3,549</u>	<u>4,868</u>
	<u>\$ 141,101</u>	<u>\$ 149,009</u>

GUTTENBERG MUNICIPAL HOSPITAL
STATISTICAL INFORMATION
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
PATIENT DAYS		
Acute (excluding swing-bed, hospice, and newborn)	1,568	1,467
Swing-bed	648	760
Hospice	27	11
Newborn	68	80
NUMBER OF BEDS (Staffed)	20	20
PERCENTAGE OF OCCUPANCY (excluding hospice and newborn)	30%	31%
ADMISSIONS		
Acute (excluding swing-bed, hospice, and newborn)	484	438
Swing-bed	95	114
Hospice	9	5
Newborn	35	38
DISCHARGES		
Acute (excluding swing-bed, hospice, and newborn)	482	438
Swing-bed	93	118
Hospice	9	5
Newborn	35	38
AVERAGE LENGTH OF STAY		
Acute (excluding swing-bed, hospice, and newborn)	3.3	3.3
Swing-bed	7.0	6.4
Hospice	3.0	2.2
Newborn	1.9	2.1
OUTPATIENT DEPARTMENT VISITS	17,391	16,495
FULL-TIME EQUIVALENTS	71.3	68.4
COLLECTION STATISTICS		
Gross accounts receivable – patients	\$ 974,288	\$ 858,905
Number of days charges outstanding (1)	46	42
Net accounts receivable – patients	\$ 648,288	\$ 596,505
Number of days charges outstanding (2)	42	40

(1) Based on average daily gross patient service revenue for April, May, and June.

(2) Based on average daily net patient service revenue for April, May, and June.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, Iowa

We have audited the accompanying balance sheets of **Guttenberg Municipal Hospital** as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended and have issued our report thereon dated November 4, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether **Guttenberg Municipal Hospital's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II, item II-E-04, in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments and recommendations.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Guttenberg Municipal 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 assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **Guttenberg Municipal Hospital's** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I, item I-A-04, in the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of **Guttenberg Municipal Hospital** and other parties to whom **Guttenberg Municipal Hospital** may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of **Guttenberg Municipal Hospital** during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sida Bailly LLP

Dubuque, Iowa
November 4, 2004

**GUTTENBERG MUNICIPAL HOSPITAL
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

I-A-04 Segregation of Duties – One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Hospital should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We are aware of the situation and will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

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

II-C-04 Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

II-E-04 Business Transactions – Business transactions between the Hospital and Hospital officials and/or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Employee’s spouse – owner, River Valley Communications	Supplies/Repairs	\$ 3,222
Employee’s spouse – owner, Bries Construction	Roofing/Fencing	\$ 3,405
Employee – owner, Mary Lou’s	Awards Banquet	\$ 711

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

- II-F-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy were noted.