

**Crawford County Memorial Hospital  
Denison, Iowa**

**FINANCIAL REPORT**

**June 30, 2005**

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**Crawford County Memorial Hospital  
OFFICIALS  
June 30, 2005**

**BOARD OF TRUSTEES**

**Expiration of term**

**Officers**

Steve Vary, President

December 31, 2008

Allen Nepper, Vice President

December 31, 2010

Marsha Losh, Secretary

December 31, 2008

Virgil Johnson, Treasurer

December 31, 2006

**Members**

LaVerne Ambrose

December 31, 2010

Roger Lorenger

December 31, 2008

Scott Tibben

December 31, 2006

**CHIEF EXECUTIVE OFFICER**

Ed Gast

**CHIEF FINANCIAL OFFICER**

Larry Brown

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Crawford County Memorial Hospital  
Denison, Iowa

We have audited the accompanying balance sheets of Crawford County Memorial Hospital as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crawford County Memorial Hospital as of June 30, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2005 on our consideration of Crawford County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 5-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 16, 2005

## **Crawford County Memorial Hospital MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Crawford County Memorial Hospital, we offer readers of the financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Hospital's financial statements, which follow this section.

### **Overview of the Financial Statements**

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

### **Required Financial Statements**

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

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

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

### **Financial Highlights**

- Total assets increased by \$733,520 or 5% to \$15,257,702
- Total assets whose use is limited decreased by \$54,053 to \$3,510,591
- Total property and equipment increased by \$319,773 to \$6,901,803
- Total fund equity increased by \$235,841 to \$11,995,243
- Total long-term debt increased by \$272,892 to \$1,142,585
- Net patient service revenue increased by \$1,164,019, or 10% primarily due to increased reimbursement by third-party payors due to Hospital's Critical Access Hospital status, effective March 1, 2005
- Expenses increased by \$498,087, or 4% to \$12,994,984

### **Financial Analysis of the Hospital**

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

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

**Table 1**  
**Condensed Balance Sheets**

	<b>June 30</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Current assets	\$ 4,285,308	\$ 3,817,508	\$ 4,375,159
Assets whose use is limited	3,510,591	3,564,644	3,955,131
Property and equipment	6,901,803	6,582,030	6,667,766
Other asset	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>
Total assets	<u>\$15,257,702</u>	<u>\$14,524,182</u>	<u>\$15,558,056</u>
Current liabilities	\$ 1,908,862	\$ 1,556,257	\$ 1,936,998
Long-term debt, less current maturities	793,597	648,523	869,693
Other noncurrent liabilities	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>
Total liabilities	<u>\$ 3,262,459</u>	<u>\$ 2,764,780</u>	<u>\$ 3,366,691</u>
Invested in capital assets, net of related debt	\$ 5,759,218	\$ 5,712,337	\$ 5,584,307
Unrestricted	<u>6,236,025</u>	<u>6,047,065</u>	<u>6,607,058</u>
Total fund equity	<u>\$11,995,243</u>	<u>\$11,759,402</u>	<u>\$12,191,365</u>

As depicted in Table 1, total assets increased in fiscal year 2005 to \$15,257,702. The change in total assets results primarily from an increase in cash as a result of significant change in operating income.

**Revenues, Expenses, and Changes in Fund Equity**

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

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

	<b>Year ended June 30</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Net patient service revenue	\$12,385,686	\$11,221,667	\$11,527,396
Other revenue	200,990	205,058	179,479
Total operating revenue	<u>12,586,676</u>	<u>11,426,725</u>	<u>11,706,875</u>
Salaries	6,245,885	6,178,693	5,810,717
Other expenses	5,778,583	5,390,961	4,998,226
Provision for depreciation	970,516	927,243	864,470
Total expenses	<u>12,994,984</u>	<u>12,496,897</u>	<u>11,673,413</u>
Operating income (loss)	<u>(408,308)</u>	<u>(1,070,172)</u>	<u>33,462</u>
County taxes	575,568	573,901	501,054
Investment income	97,589	82,934	114,954
Unrestricted contributions	-	15,000	15,050
Interest expense	<u>(29,008)</u>	<u>(33,626)</u>	<u>(26,648)</u>
Total nonoperating gains (losses)	<u>644,149</u>	<u>638,209</u>	<u>604,410</u>
Change in fund equity	235,841	(431,963)	637,872
Total fund equity, beginning	<u>11,759,402</u>	<u>12,191,365</u>	<u>11,553,493</u>
Total fund equity, ending	<u>\$11,995,243</u>	<u>\$11,759,402</u>	<u>\$12,191,365</u>

## **Operating and Financial Performance**

The following summarizes the Hospital's statement of revenue, expenses and changes in fund equity between June 30, 2005 and 2004.

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

**Volume:** Medical, surgical and obstetrical discharges for fiscal year 2005 were 697 compared to 757 in fiscal year 2004. Average length of stay decreased slightly as patient days declined to 1,892 from 2,103 in 2004. Volume on the outpatient side indicated positive growth in 2005. In 2005, gross outpatient charges increased to \$16,577,170 compared to \$14,492,920 in 2004. Operating room, laboratory, CT scans and clinic ancillary services reflected the most significant growth in 2005.

**Price Increase:** As is customary annually, the Hospital did review its charge structure and incorporate certain price increases in 2005. Overall, gross patient service revenue increased to \$20,398,008 from \$18,423,311 in 2004.

**Payor Mix:** Effective March 1, 2005, the Hospital was designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. As a result of this new designation, contractual adjustments and bad debts were \$8,012,322 in 2005 compared to \$7,201,644 in 2004. This represents 39% of gross patient charges.

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

**Table 3**  
**Payor Mix by Percentage**

	<u>Year ended June 30</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Medicare	52%	51%	58%
Medicaid	9	9	7
Wellmark	14	15	16
Commercial insurance	15	14	10
Self pay	<u>10</u>	<u>11</u>	<u>9</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

## **Other Revenue**

Other revenue decreased to \$200,990 in 2005 compared to \$205,058 in 2004, primarily due to decreased miscellaneous income.

## **Expenses**

Approximately 50% of Hospital's expenses are for salaries. Total salaries increased by 1% to \$6,245,885 in 2005 from \$6,178,693 in 2004.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 7% to \$5,778,853 in 2005 from \$5,390,961 in 2004. The most significant increase related to fiscal and administrative service and group health and life insurance costs.

Approximately 5% of Hospital's expenses relate to provision for depreciation. The provision for depreciation increased to \$970,516 in 2005 from \$927,243 in 2004.

### **Nonoperating Gains**

Nonoperating gains increased to \$644,149 from \$638,209 in 2004, primarily due to an increase in investment income.

### **Property and Equipment**

At the end of 2005, the Hospital had \$6,901,803 invested in property and equipment, net of accumulated depreciation. The Notes to the Financial Statements provide more detail of changes in property and equipment. In 2005, \$1,290,289 was spent to acquire new equipment.

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

**Table 4**  
**Property and Equipment**

	<b>June 30</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Land	\$ 15,350	\$ 15,350	\$ 15,350
Land improvements	807,767	475,053	461,760
Building	4,054,203	3,995,124	3,856,003
Fixed equipment	3,724,702	3,550,811	3,550,811
Major movable equipment	7,824,641	7,252,967	6,700,763
Medical office building	<u>1,390,587</u>	<u>1,390,030</u>	<u>1,390,030</u>
Subtotal	17,817,250	16,679,335	15,974,717
Less accumulated depreciation	<u>(10,915,447)</u>	<u>(10,097,305)</u>	<u>(9,306,951)</u>
Property and equipment	<u>\$ 6,901,803</u>	<u>\$ 6,582,030</u>	<u>\$ 6,667,766</u>

### **Debt Administration**

At year end, the Hospital had \$1,142,585 in current and long-term debt related to notes payable, equipment, an increase of \$272,892 from 2004. This increase is the result of the issuance of debt to purchase equipment, offset by the required payments made on the outstanding notes for fiscal year 2005. More detailed information about the Hospital's outstanding notes payable are presented in the Notes to Financial Statements. Note that total notes payable represent approximately 35% of the Hospital's total liabilities as of year end.

### **Performance Compared to County Hospital Budget**

The Hospital prepares its annual County Hospital budget on a basis, budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP basis are presented in the Notes to Financial Statements. A comparison of the Hospital's fiscal year 2005 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5**  
**Actual vs Budget**

	<b>Actual budget basis</b>	<b>Annual County Hospital budget</b>	<b>Variance</b>
Amount to be raised by taxation	\$ 575,568	\$ 559,127	\$ 16,441
Other revenues/receipts	<u>13,155,089</u>	<u>13,245,737</u>	<u>(90,648)</u>
	13,730,657	13,804,864	(74,207)
Expenses/expenditures	<u>13,599,713</u>	<u>13,942,678</u>	<u>(342,965)</u>
Net	<u>\$ 130,944</u>	<u>\$ (137,814)</u>	<u>\$ 268,758</u>

### **Performance Compared to County Hospital Budget (continued)**

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

### **Economic and Other Factors and Next Year's Budget**

The Hospital's board and management considered many factors when setting the fiscal year 2005 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

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

### **Contacting Hospital's Management**

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

**Crawford County Memorial Hospital  
BALANCE SHEETS**

<b>ASSETS</b>	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,099,083	\$ 801,986
Patient receivables, less allowances for contractual adjustments and uncollectible accounts	2,679,912	2,674,772
Other receivables	9,440	9,332
Estimated third-party payor settlements	200,000	-
Inventories	154,267	151,542
Prepaid expenses	110,641	129,376
Notes receivable	31,965	50,500
Total current assets	<u>4,285,308</u>	<u>3,817,508</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Designated by board for plant replacement and expansion		
Certificates of deposit	3,473,634	3,546,328
Interest receivable	36,957	18,316
Total assets whose use is limited	<u>3,510,591</u>	<u>3,564,644</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation	17,817,250	16,679,335
Total property and equipment	<u>10,915,447</u>	<u>10,097,305</u>
	<u>6,901,803</u>	<u>6,582,030</u>
<b>OTHER ASSET</b>		
Succeeding year property tax receivable	560,000	560,000
Totals	<u>\$15,257,702</u>	<u>\$14,524,182</u>

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 348,988	\$ 221,170
Accounts payable	846,851	756,779
Accrued employee compensation	561,629	555,922
Payroll taxes and amounts withheld from employees	31,394	22,386
Estimated third-party payor settlements	120,000	-
	<u>1,908,862</u>	<u>1,556,257</u>
<b>LONG-TERM DEBT</b> , less current maturities	<u>793,597</u>	<u>648,523</u>
<b>DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE</b>	<u>560,000</u>	<u>560,000</u>
<b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	5,759,218	5,712,337
Unrestricted	<u>6,236,025</u>	<u>6,047,065</u>
Total fund equity	<u>11,995,243</u>	<u>11,759,402</u>
Totals	<u>\$15,257,702</u>	<u>\$14,524,182</u>

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

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>NET PATIENT SERVICE REVENUE</b> , net of provision for bad debts 2005 \$502,500; 2004 \$373,083	\$12,385,686	\$11,221,667
<b>OTHER REVENUE</b>	<u>200,990</u>	<u>205,058</u>
Total revenue	<u>12,586,676</u>	<u>11,426,725</u>
<b>EXPENSES</b>		
Nursing service	2,693,276	2,653,105
Other professional service	5,381,901	5,237,246
General service	1,092,741	1,072,012
Fiscal and administrative service and unassigned expenses	2,856,550	2,607,291
Provision for depreciation	<u>970,516</u>	<u>927,243</u>
Total operating expenses	<u>12,994,984</u>	<u>12,496,897</u>
Operating (loss)	<u>(408,308)</u>	<u>(1,070,172)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	575,568	573,901
Investment income	97,589	82,934
Unrestricted contributions	-	15,000
Interest expense	<u>(29,008)</u>	<u>(33,626)</u>
Total nonoperating gains (losses)	<u>644,149</u>	<u>638,209</u>
Change in fund equity	235,841	(431,963)
<b>TOTAL FUND EQUITY</b>		
Beginning	<u>11,759,402</u>	<u>12,191,365</u>
Ending	<u>\$11,995,243</u>	<u>\$11,759,402</u>

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

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$12,300,546	\$11,459,307
Cash paid to suppliers for goods and services	(5,611,968)	(5,407,744)
Cash paid to employees for services	(6,240,178)	(6,076,529)
Other operating revenue received	<u>200,990</u>	<u>205,058</u>
Net cash provided by operating activities	<u>649,390</u>	<u>180,092</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County taxes	575,568	573,901
Contributions received	<u>—</u>	<u>15,000</u>
Net cash provided by noncapital financing activities	<u>575,568</u>	<u>588,901</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	528,840	—
Principal payments on long-term debt	(255,948)	(213,766)
Interest paid on long-term debt	(29,008)	(33,626)
Acquisition of property and equipment	<u>(1,293,118)</u>	<u>(1,272,795)</u>
Net cash (used in) capital and related financing activities	<u>(1,049,234)</u>	<u>(1,520,187)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	78,948	87,464
Purchase of certificates of deposit	(3,144,239)	(3,590,535)
Proceeds from maturities of certificates of deposit	3,216,933	3,976,492
Advances representing issuance of notes receivable	<u>(30,269)</u>	<u>(4,500)</u>
Net cash provided by investing activities	<u>121,373</u>	<u>468,921</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	297,097	(282,273)
<b>CASH</b>		
Beginning	<u>801,986</u>	<u>1,084,259</u>
Ending	<u>\$ 1,099,083</u>	<u>\$ 801,986</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (408,308)	\$ (1,070,172)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	970,516	927,243
Notes receivable paid by services performed	48,804	43,000
Changes in assets and liabilities		
(Increase) decrease in patient receivables	(5,140)	197,640
(Increase) in other receivables	(108)	(778)
(Increase) decrease in net estimated third-party payor settlements	(80,000)	40,000
(Increase) decrease in inventories	(2,725)	17,407
(Increase) decrease in prepaid expenses	18,735	(17,391)
Increase (decrease) in accounts payable, net of amounts for property and equipment	92,901	(79,556)
Increase in accrued employee compensation	5,707	102,164
Increase in payroll taxes and amounts withheld from employees	9,008	20,535
Net cash provided by operating activities	\$ 649,390	\$ 180,092

See Notes to Financial Statements.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Measurement Focus and Basis of Accounting**

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

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

**Accounting Standards**

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

**Investments and Investment Income**

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

**Inventories**

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

**Property and Equipment**

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

**Crawford County Memorial 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.

**Fund Equity**

Fund equity is presented in the following three components:

**Investment in capital assets, net of related debt**

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

**Restricted fund equity**

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

**Unrestricted fund equity**

Unrestricted fund equity has no externally imposed restrictions on use.

**Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**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.

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

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenues, Expenses, and Changes in Fund Equity**

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

**Credit Policy**

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

**Accounting Estimates and Assumptions**

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

**NOTE 2 CASH AND INVESTMENTS**

The Hospital's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**NOTE 3 PATIENT RECEIVABLES**

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

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Patients	\$ 821,682	\$ 845,795
Insurance carriers	1,352,042	1,180,285
Medicare	1,159,292	1,399,388
Medicaid	<u>346,896</u>	<u>539,304</u>
Total patient receivables	3,679,912	3,964,772
Less allowances for contractual adjustments and uncollectible accounts	<u>(1,000,000)</u>	<u>(1,290,000)</u>
Net patient receivables	<u>\$2,679,912</u>	<u>\$2,674,772</u>

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

**NOTE 4 NOTES RECEIVABLE**

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

For the years ended June 30, 2005 and 2004, the Hospital forgave \$48,804 and \$43,000, respectively, on these physician notes, which are included in fiscal and administrative service and unassigned expenses. Repayment or forgiveness on the notes is to be completed in the year ending June 30, 2006.

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

Pursuant to the management and employment agreements, the Hospital incurred total expenses of \$2,261,268 and \$2,301,285 for the years ended June 30, 2005 and 2004, respectively, reported as other professional service expenses, and recognized net revenue of \$1,905,448 and \$1,943,532 for the years ended June 30, 2005 and 2004, respectively, included in net patient service revenue.

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 15,350	\$ —	\$ 15,350	\$ —
Land improvements	807,767	273,256	475,053	242,337
Building	4,054,203	2,146,217	3,995,124	2,040,264
Fixed equipment	3,724,702	2,454,584	3,550,811	2,307,290
Major movable equipment	7,824,641	5,463,552	7,252,967	4,981,748
Medical office building	<u>1,390,587</u>	<u>577,838</u>	<u>1,390,030</u>	<u>525,666</u>
Totals	<u>\$17,817,250</u>	<u>\$10,915,447</u>	<u>\$16,679,335</u>	<u>\$10,097,305</u>

A summary of changes in property and equipment for the year ended June 30, 2005 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,350	\$ —	\$ —	\$ 15,350
Land improvements	475,053	332,714	—	807,767
Building	3,995,124	59,079	—	4,054,203
Fixed equipment	3,550,811	173,891	—	3,724,702
Major movable equipment	7,252,967	724,048	152,374	7,824,641
Medical office building	<u>1,390,030</u>	<u>557</u>	<u>—</u>	<u>1,390,587</u>
Totals	16,679,335	1,290,289	152,374	17,817,250
Less accumulated depreciation	<u>(10,097,305)</u>	<u>(970,516)</u>	<u>(152,374)</u>	<u>(10,915,447)</u>
Net property and equipment	<u>\$ 6,582,030</u>	<u>\$ 319,773</u>	<u>\$ —</u>	<u>\$ 6,901,803</u>

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

**NOTE 5 PROPERTY AND EQUIPMENT (continued)**

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

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

**NOTE 6 LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Notes payable, equipment	\$1,142,585	\$ 869,693
Less current maturities	<u>348,988</u>	<u>221,170</u>
Long-term debt, net of current maturities	<u>\$ 793,597</u>	<u>\$ 648,523</u>

**Notes Payable, Equipment**

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

The Hospital has a second note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$9,053, including interest at 4.23%, with the final payment due May, 2009. The note is collateralized by the equipment purchased by the Hospital.

The Hospital has a third note agreement to finance the purchase of certain equipment. This noninterest bearing note requires a monthly payment of \$2,162, with the final payment due September, 2009. The note is collateralized by the equipment purchased by the Hospital.

Each note agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Notes. Consequently, these obligations do not constitute indebtedness of the Hospital under the laws of the State of Iowa, however, generally accepted accounting principles require the assets and liability to be recorded on the balance sheet at June 30, 2005.

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

**NOTE 6 LONG-TERM DEBT (continued)**

Aggregate maturities required on long-term debt are as follows:

<u>Year ending June 30</u>	<u>Notes payable, equipment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 348,988	\$ 32,981	\$ 381,969
2007	360,977	20,992	381,969
2008	311,392	8,729	320,121
2009	114,742	1,731	116,473
2010	6,486	—	6,486
Totals	1,142,585	64,433	1,207,018
Less current maturities	348,988	32,981	381,969
Total long-term debt	<u>\$ 793,597</u>	<u>\$ 31,452</u>	<u>\$ 825,049</u>

A summary of changes in long-term debt for the year ended June 30, 2005 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Notes payable, equipment	<u>\$ 869,693</u>	<u>\$ 528,840</u>	<u>\$ 255,948</u>	<u>\$1,142,585</u>	<u>\$ 348,988</u>

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

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

**NOTE 7 NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

**Medicare and Medicaid**

Effective March 1, 2005, the Hospital was designated a Critical Access Hospital. As a Critical Access Hospital, most 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 programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2004.

**Other**

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

**Crawford County Memorial 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, 2005, 2004 and 2003 were \$341,657, \$347,601 and \$320,332, respectively, equal to the required contributions for each year.

**NOTE 9 CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Charges foregone, based on established rates	\$ <u>65,205</u>	\$ <u>54,822</u>
Equivalent percentage of charity care patients to all patients served	<u>.3%</u>	<u>.3%</u>

**NOTE 10 MALPRACTICE CLAIMS**

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

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, 2005 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

**NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING**

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

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

**NOTE 11 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING (continued)**

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

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 575,568	\$ -	\$ 575,568	\$ 559,127
Other revenues/receipts	<u>12,655,257</u>	<u>499,832</u>	<u>13,155,089</u>	<u>13,245,737</u>
	13,230,825	499,832	13,730,657	13,804,864
Expenses/expenditures	<u>12,994,984</u>	<u>604,729</u>	<u>13,599,713</u>	<u>13,942,678</u>
Net	235,841	(104,897)	130,944	(137,814)
Balance, beginning	<u>11,759,402</u>	<u>(7,939,491)</u>	<u>3,819,911</u>	<u>5,837,544</u>
Balance, ending	<u>\$11,995,243</u>	<u>\$(8,044,388)</u>	<u>\$ 3,950,855</u>	<u>\$ 5,699,730</u>

**NOTE 12 RISK MANAGEMENT**

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

**NOTE 13 EMPLOYEE BENEFITS**

The Hospital has a self-insured medical benefit plan for virtually all employees. The plan is funded by both Hospital and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$40,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$610,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2005 and 2004 were \$342,601 and \$213,016, respectively, included in fiscal and administrative and unassigned expenses.

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

Board of Trustees  
Crawford County Memorial Hospital  
Denison, Iowa

Our report on our audits of the basic financial statements of Crawford County Memorial Hospital for 2005 and 2004 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 16, 2005

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

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
0 - 30 days (includes patients in Hospital at end of year)	\$1,529,972	\$1,465,019	41.58%	36.95%
31 - 60 days	687,806	636,429	18.69	16.05
61 - 90 days	330,347	385,404	8.98	9.72
91 - 180 days	588,954	615,846	16.00	15.53
Over 180 days	<u>542,833</u>	<u>862,074</u>	<u>14.75</u>	<u>21.75</u>
Totals	<u>3,679,912</u>	<u>3,964,772</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	400,000	690,000		
Medicaid	200,000	230,000		
Other	100,000	70,000		
Uncollectibles	<u>300,000</u>	<u>300,000</u>		
Total allowances	<u>1,000,000</u>	<u>1,290,000</u>		
Totals	<u>\$2,679,912</u>	<u>\$2,674,772</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 33,933</u>	<u>\$ 30,660</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES</b>	<u>79</u>	<u>87</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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>BALANCE</b> , beginning	\$ 300,000	\$ 300,000		
<b>ADD</b>				
Provision for bad debts	502,500	373,083	4.06%	3.32%
Recoveries of accounts previously written off	<u>139,747</u>	<u>180,196</u>	1.13	1.61
	942,247	873,279		
<b>DEDUCT</b>				
Accounts written off	<u>642,247</u>	<u>573,279</u>	5.19	5.11
<b>BALANCE</b> , ending	<u>\$ 300,000</u>	<u>\$ 300,000</u>		

**Crawford County Memorial Hospital**  
**PATIENT SERVICE REVENUE**  
Year ended June 30, 2005, with comparative totals for 2004

	<b>2005</b>			<b>2004</b>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
<b>DAILY PATIENT SERVICES</b>				
Medical, surgical and obstetrical	\$1,085,843	\$ -	\$ 1,085,843	\$ 1,072,108
Swing bed	168,328	-	168,328	180,415
Nursery	55,429	-	55,429	74,497
	<u>1,309,600</u>	<u>-</u>	<u>1,309,600</u>	<u>1,327,020</u>
<b>OTHER NURSING SERVICES</b>				
Operating room	285,753	2,441,712	2,727,465	2,387,035
Recovery room	60,724	362,899	423,623	383,519
Delivery room	90,358	16,910	107,268	117,190
Emergency service	142,514	1,602,684	1,745,198	1,595,143
Observation room	-	52,918	52,918	24,589
Same day surgery	-	48,742	48,742	43,079
	<u>579,349</u>	<u>4,525,865</u>	<u>5,105,214</u>	<u>4,550,555</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Laboratory	417,752	2,025,161	2,442,913	2,054,123
Electrocardiology	27,960	168,013	195,973	182,851
Radiology	58,942	1,097,703	1,156,645	967,537
CT scans	134,806	1,090,679	1,225,485	891,850
MRI	15,225	729,945	745,170	587,708
Ultrasound	48,390	691,494	739,884	449,081
Pharmacy	621,895	1,344,972	1,966,867	1,764,826
Anesthesiology	104,919	304,914	409,833	954,111
Respiratory therapy	388,362	190,704	579,066	556,146
Cardiac rehabilitation	-	101,936	101,936	70,648
Ambulance	114,907	469,082	583,989	495,467
Physical therapy	49,548	481,257	530,805	447,107
Occupational therapy	14,388	40,870	55,258	64,634
Speech therapy	-	-	-	17,008
Clinic	-	3,314,575	3,314,575	3,097,461
	<u>1,997,094</u>	<u>12,051,305</u>	<u>14,048,399</u>	<u>12,600,558</u>
Totals	<u>\$3,886,043</u>	<u>\$16,577,170</u>	20,463,213	18,478,133
Charity care charges foregone, based on established rates			(65,205)	(54,822)
Total gross patient service revenue			20,398,008	18,423,311
Provisions for contractual adjustments and bad debts			(8,012,322)	(7,201,644)
Total net patient service revenue			<u>\$12,385,686</u>	<u>\$11,221,667</u>

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

	<b>Year ended June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Contractual adjustments		
Medicare	\$4,707,129	\$4,518,698
Medicaid	1,039,575	956,563
Other adjustments	1,763,118	1,353,300
Provision for bad debts	<u>502,500</u>	<u>373,083</u>
 Totals	 <u>\$8,012,322</u>	 <u>\$7,201,644</u>

**OTHER REVENUE**

	<b>Year ended June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Cafeteria	\$ 32,493	\$ 28,852
Rental income	53,795	54,673
Contracted therapy services	571	6,310
Sale of supplies and drugs	4,197	3,369
Wellness	31,471	32,026
Lifeline	20,754	19,049
Miscellaneous	<u>57,709</u>	<u>60,779</u>
 Totals	 <u>\$ 200,990</u>	 <u>\$ 205,058</u>

**Crawford County Memorial Hospital**  
**EXPENSES**  
Year ended June 30, 2005, with comparative totals for 2004

	<u>2005</u>			<u>2004</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>NURSING SERVICE</b>				
Nursing administration	\$ 142,368	\$ 3,624	\$ 145,992	\$ 141,528
Medical and surgical	680,589	67,186	747,775	779,992
Obstetrical	170,187	10,533	180,720	168,843
Coronary care	26,137	479	26,616	18,428
Nursery	37,139	2,549	39,688	56,923
Operating room	259,795	247,892	507,687	501,178
Recovery room	17,768	-	17,768	23,232
Delivery room	28,537	6,292	34,829	39,846
Emergency and outpatient service	<u>358,236</u>	<u>633,965</u>	<u>992,201</u>	<u>923,135</u>
Total nursing service	<u>1,720,756</u>	<u>972,520</u>	<u>2,693,276</u>	<u>2,653,105</u>
<b>OTHER PROFESSIONAL SERVICE</b>				
Laboratory	255,186	323,114	578,300	523,208
Electrocardiology	34,623	2,363	36,986	32,608
Radiology	204,340	148,379	352,719	340,237
CT scans	18,267	44,322	62,589	51,548
MRI	-	157,886	157,886	148,737
Ultrasound	50,424	36,475	86,899	61,657
Pharmacy	127,103	361,763	488,866	456,748
Anesthesiology	277,592	17,348	294,940	291,677
Respiratory therapy	87,353	45,743	133,096	131,763
Cardiac rehabilitation	29,550	4,615	34,165	24,305
Ambulance	310,234	27,676	337,910	327,031
Physical therapy	158,356	16,025	174,381	177,613
Occupational therapy	14,640	25	14,665	17,237
Speech therapy	-	4,484	4,484	2,293
Clinic	1,089,231	1,172,037	2,261,268	2,301,285
Health information management	226,657	22,235	248,892	244,304
Quality assurance	56,217	1,222	57,439	52,439
Utilization review	<u>56,158</u>	<u>258</u>	<u>56,416</u>	<u>52,556</u>
Total other professional service	<u>2,995,931</u>	<u>2,385,970</u>	<u>5,381,901</u>	<u>5,237,246</u>
<b>GENERAL SERVICE</b>				
Dietary	218,053	138,193	356,246	354,842
Plant engineering	224,801	285,504	510,305	504,024
Housekeeping	152,723	26,531	179,254	167,390
Laundry	<u>44,274</u>	<u>2,662</u>	<u>46,936</u>	<u>45,756</u>
Total general service	<u>639,851</u>	<u>452,890</u>	<u>1,092,741</u>	<u>1,072,012</u>

**Crawford County Memorial Hospital**  
**EXPENSES (continued)**  
Year ended June 30, 2005, with comparative totals for 2004

	<u>2005</u>			<u>2004</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES</b>				
Fiscal and administrative service	\$ 889,347	\$ 558,700	\$ 1,448,047	\$ 1,352,367
FICA	-	413,610	413,610	403,785
IPERS	-	341,657	341,657	347,601
Group health and life insurance	-	401,678	401,678	276,882
Insurance	<u>-</u>	<u>251,558</u>	<u>251,558</u>	<u>226,656</u>
Total fiscal and administrative service and unassigned expenses	<u>889,347</u>	<u>1,967,203</u>	<u>2,856,550</u>	<u>2,607,291</u>
<b>PROVISION FOR DEPRECIATION</b>	<u>-</u>	<u>970,516</u>	<u>970,516</u>	<u>927,243</u>
Total expenses	<u>\$6,245,885</u>	<u>\$6,749,099</u>	<u>\$12,994,984</u>	<u>\$12,496,897</u>

**Crawford County Memorial Hospital  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>PATIENT DAYS</b>		
Medical, surgical and obstetrical	1,892	2,103
Swing bed		
Skilled care	602	659
Intermediate care	14	121
Nursery	<u>210</u>	<u>276</u>
Totals	<u><b>2,718</b></u>	<u><b>3,159</b></u>
<b>DISCHARGES</b>		
Medical, surgical and obstetrical	697	757
Swing bed		
Skilled care	90	87
Intermediate care	4	31
Nursery	<u>99</u>	<u>125</u>
Totals	<u><b>890</b></u>	<u><b>1,000</b></u>
<b>AVERAGE LENGTH OF STAY</b>		
Medical, surgical and obstetrical	2.71	2.78
Swing bed		
Skilled care	6.69	7.57
Intermediate care	3.50	3.90
Nursery	2.12	2.21

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

Board of Trustees  
Crawford County Memorial Hospital  
Denison, Iowa

We have audited the financial statements of Crawford County Memorial Hospital as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in the accompanying Schedule of Findings.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management, employees and citizens of Crawford County and other parties to whom the Hospital may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 16, 2005

**Crawford County Memorial Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2005**

**Part I—Findings Related to the Financial Statements**

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

**Crawford County Memorial Hospital  
SCHEDULE OF FINDINGS  
Year ended June 30, 2005**

**Part II—Findings Related to Required Statutory Reporting**

**05-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, 2005.

**05-II-B CERTIFIED BUDGET**

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2005.

**05-II-C QUESTIONABLE EXPENDITURES**

No questionable expenditures of Hospital funds were noted.

**05-II-D TRAVEL EXPENSES**

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

**05-II-E BUSINESS TRANSACTIONS**

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

**05-II-F BOARD MINUTES**

No transactions were found that we believe should have been approved in the Board minutes but were not.

**05-II-G DEPOSITS AND INVESTMENTS**

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.