

**Dallas County Hospital  
Perry, Iowa**

**FINANCIAL REPORT**

**June 30, 2005**

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Dallas County Hospital  
OFFICIALS  
June 30, 2005

**BOARD OF TRUSTEES**

**Expiration of term**

**Officers**

Joe Emerson, Chair

December 31, 2006

LuAnn VanKirk, Vice Chair

December 31, 2006

Christie Creighton, Secretary

December 31, 2008

Marc Meyer, Treasurer

December 31, 2010

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December 31, 2006

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December 31, 2008

Harley Weyer

December 31, 2010

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**CHIEF FINANCIAL OFFICER**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Dallas County Hospital  
Perry, Iowa

We have audited the accompanying balance sheets of Dallas County Hospital as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the years then ended. We have also audited the statements of financial position of Dallas County Hospital Foundation, a component unit of Dallas County Hospital, as of June 30, 2005 and 2004, and the related statements of activities 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas County Hospital as of June 30, 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. Also, in our opinion, the accompanying financial statements of Dallas County Hospital Foundation referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2005 and 2004, and its changes in net assets 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 our report dated September 28, 2005 on our consideration of Dallas County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-11 and budgetary comparison information on page 32 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
September 28, 2005

## DALLAS COUNTY HOSPITAL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Dallas County Hospital, we offer readers of the Dallas County Hospital's financial statements this narrative overview and analysis of the financial performance of our hospital during the fiscal years ended June 30, 2005, 2004 and 2003. Please read it in conjunction with the financial statements, which follow this section.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **REQUIRED FINANCIAL STATEMENTS**

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

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

The final required financial statement is the statement of cash flows. This 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**

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- Total assets increased by \$2,367,546 to \$20,310,463 in 2005, following an increase of \$1,577,012 to \$17,942,917 in 2004.
- Total assets whose use is limited decreased by \$230,598 in 2005, compared to an increase of \$515,715 in 2004.
- Property and equipment increased by \$1,777,778 in 2005, compared to an increase of \$1,350,350 in 2004.
- Total debt increased by \$1,046,939 in 2005, compared to an increase of \$540,452 in 2004.
- Fund equity increased by \$785,599 in 2005, compared to an increase of \$915,375 in 2004.
- Net patient service revenue increased by \$627,112 in 2005, compared to an increase of \$574,273 in 2004, due to a combination of increased utilization and inflationary charge increases.
- Expenses increased by \$566,579, or 6.57% in 2005, compared to an increase of \$779,568 or 9.92% in 2004.
- Total margin for FY 2005 was 7.87%, compared to 11.0% for FY 2004.

## FINANCIAL ANALYSIS OF THE HOSPITAL

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

### NET ASSETS

A summary of the Hospital's balance sheets at June 30, 2005, 2004 and 2003, are presented in Table 1 below.

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2003</u>	<u>Dollar Change</u>	<u>Total % Change</u>
Current and other assets	\$11,390,164	\$10,800,396	\$ 589,768	5.46	\$10,573,734	\$ 226,662	2.15%
Capital assets	8,920,299	7,142,521	1,777,778	24.89	5,792,171	1,350,350	23.32
Total Assets	<u>\$20,310,463</u>	<u>\$17,942,917</u>	<u>\$ 2,367,546</u>	<u>13.20</u>	<u>\$16,365,905</u>	<u>\$1,577,012</u>	<u>9.64</u>
Long-term debt outstanding	\$ 4,273,176	\$ 3,547,391	\$ 725,785	20.46	\$ 3,145,000	\$ 402,391	12.80%
Other liabilities	3,870,025	3,013,863	856,162	28.41	2,754,617	259,246	9.41
Total liabilities	<u>\$ 8,143,201</u>	<u>\$ 6,561,254</u>	<u>\$ 1,581,947</u>	<u>24.11</u>	<u>\$ 5,899,617</u>	<u>\$ 661,637</u>	<u>11.21%</u>
Total net assets	<u>\$12,167,262</u>	<u>\$11,381,663</u>	<u>\$ 785,599</u>	<u>6.91</u>	<u>\$10,466,288</u>	<u>\$ 915,375</u>	<u>8.75%</u>

As can be seen by Table 1, net assets increased by \$785,599 to \$12,167,262 in fiscal year 2005, up from \$11,381,663 in fiscal year 2004. The change in net assets results primarily from profits of the Hospital.

## **REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**

The following table presents a summary of the Dallas County Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2005, 2004 and 2003.

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

	Year ended June 30		
	2005	2004	2003
Total revenue	\$ 8,918,144	\$ 8,312,398	\$ 7,738,123
Expenses	9,201,531	8,634,952	7,855,384
Operating (loss)	(283,387)	(322,554)	(117,261)
Non-operating gains	1,068,986	1,237,929	1,557,251
Excess of revenues over expenses	785,599	915,375	1,439,990
Other changes in fund equity-contributions	0	0	0
Total fund equity, beginning	11,381,663	10,466,288	9,026,298
Total fund equity, ending	12,167,262	\$11,381,663	\$10,466,288

### **Operating and Financial Performance**

**Volume:** Acute inpatient admissions for fiscal year 2005 were 293 compared to 348 in fiscal year 2004. Acute patient days decreased by 14.97% compared to FY 2004 because of the decreased admissions. Swing bed admissions decreased by 23.78 % for FY 2005 to a total of 125 admissions. Outpatient visits decreased by 6.8 % to 26,678 visits in FY 2005. Total procedures and treatments also decreased. The following departments did see increases in volumes FY 2005: CT Scanning, MRI, Cardiac Diagnostic and Surgery. Total operating room procedures in FY 2005 were 696 surgeries compared to 639 in FY 2004 with 96.4% of the surgeries being outpatient procedures.

**Net Patient Service Revenue:** Due to an average rate increase of 5% effective July 1, 2004, and the type of procedures that saw an increase in volumes as discussed above, net patient service revenues climbed by \$627,112, or 7.83% compared to fiscal year 2004. During the fiscal year, Dallas County Hospital's contractual allowances (the difference between billed charges and paid charges from third party payers) increased by only \$9,597. Contractual allowances as a percentage of gross patient revenue decreased from 15.49% of gross charges in 2004 to 14.61% in 2005.

The following table presents the relative percentages of gross charges for patient services by payer for the years ended June 30, 2005, 2004 and 2003.

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

	<b>June 30, 2005</b>	<b>June 30, 2004</b>	<b>June 30, 2003</b>
Medicare	56.86%	57.11%	57.81%
Wellmark	14.95%	14.04%	14.12%
Medicaid	7.07%	6.12%	4.72%
Private Pay	4.69%	4.54%	4.21%
Other Commercial Insurance	16.43%	18.19%	19.14%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Significant changes in operations from FY 2004:

Other Revenue: FY 2005 showed a net decrease of 7.02% in other revenue compared to FY 2004. Employee and guest meals revenue decreased by 14.07% from 2004 but miscellaneous revenue increased 66.19% in 2005 due to an increase in vendor rebates and additional dietician consulting services.

Other Professional Service: FY2005 showed an increase of \$186,883 or 7.78% increase in other professional services. The primary reason for this increase was due to a full year of new services like mobile MRI, higher support/maintenance costs associated with the new software system and a general increase in volumes for services that utilize a contracted service.

Provision for Depreciation and Amortization: FY2005 showed an increase in depreciation due to the implementation of a new computer system and the completion of the West Addition Construction project which includes the new ambulance garage.

Interest Expense: There was a \$70,477 increase in interest expense during FY 2005. There was a full year of interest expense from the two capital leases that were started in the 2003-04 fiscal year for radiology equipment. Additional interest expense was incurred from new debt for the software system and the Hospital remodel projects.

## **CAPITAL ASSETS**

At the end of fiscal year 2005, the Dallas County Hospital has invested \$2,750,349 during the year in capital assets. The increase in capital assets is primarily a result of increases in equipment and building improvements. Equipment purchases were \$970,605 due to the purchase and installation of a new organization wide software and hardware solution plus miscellaneous other Hospital equipment. Building improvements of \$1,177,603 was used for the Hospital wide remodel project that is schedule to be completed in the 2006-07 fiscal year. Also the West Addition that includes the new ambulance garage was completed in 2004-05.

The following table summarizes Dallas County Hospital's capital assets as of June 30, 2005, 2004 and 2003.

**Table 4**  
**Capital Assets**  
**(in Thousands)**

	<b>June 30,</b>	<b>June 30,</b>		<b>June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>Change</b>	<b>2003</b>	<b>Change</b>
Land	\$ 69,523	\$ 69,523	\$ 0	\$ 86,023	\$ (16,500)
Land improvements	384,892	385,583	(691)	388,823	(3,240)
Buildings	5,861,271	5,278,824	582,447	2,611,627	2,667,197
Building service equipment	2,661,859	2,590,628	71,231	2,367,854	222,774
Fixed equipment	413,762	405,910	7,852	397,490	8,420
Major moveable equipment	5,329,253	4,914,334	414,919	4,246,813	667,521
Construction in progress	2,034,652	1,013,834	1,020,818	3,023,348	(2,009,514)
Subtotal	16,755,212	14,658,636	2,096,576	13,121,978	1,536,658
Less accumulated depreciation	(7,834,913)	(7,516,115)	(318,798)	(7,329,807)	(186,308)
Property, plant and equipment, net	<u>\$ 8,920,299</u>	<u>\$ 7,142,521</u>	<u>\$ 1,777,778</u>	<u>\$ 5,792,171</u>	<u>\$ 1,350,350</u>

## **DEBT ADMINISTRATION**

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### **Long-Term Debt**

At year-end, Dallas County Hospital had \$4,325,000 in short- and long-term debt related to Hospital Revenue Bonds. This has increased from \$3,145,000 in fiscal year 2004. Dallas County Hospital incurred new debt in FY 2005 for the purchase of new organizational wide software and hardware implementation. The outstanding debt for capital leases at the end of fiscal year 2005 was \$517,391. This decreased by \$133,061 in fiscal year 2005, which was the amount of principal payments on this debt. More detailed information about Dallas County Hospital's outstanding debt is presented in the Notes to the Financial Statements. Note that total debt represents 40% of Dallas County Hospital's equity as of year-end 2005. This is an increase from 33% in 2004.

## **PERFORMANCE COMPARED TO BUDGET**

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Net patient revenues were \$8,635,229 or 5.21% under budget for the fiscal year ended June 30, 2005. Acute patient days were at budget and swing patient days were 2.5% below budget. Both CT and MRI saw significant increases in outpatient volumes which helped to increase revenues. CT procedures were 35% above budget and MRI procedures were 68% above budgeted.

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

Operating expenses were \$1,013,961 or 9.93% below budget for the year with the majority of the amount coming from salaries, professional fees, employee benefits, utilities and interest expense. Employee benefits was under budget due to a lower than anticipated claims for the self-funded health insurance plan. A rental expense had been budgeted for a portion of the 2005 year but due to a delay in construction no expense was incurred for this line item.

Income from investments was \$11,714 over budget during fiscal year 2005.

The following table compares fiscal year 2005 actual to budget information.

**Table 5**  
**Budget vs. Actual**  
**(In Thousands)**

	<b>FY 2005 Budget</b>	<b>FY 2005 Actual</b>	<b>Dollar Variance</b>	<b>Percent Variance</b>
Gross patient service revenue	\$10,580,482	\$10,112,574	\$ (467,908)	(4.43)%
Contractual adjustments	(1,481,260)	(1,477,345)	3,915	(.27)
Net patient service revenue	9,099,162	8,635,229	(473,933)	(5.21)
Other revenue	215,030	282,915	67,885	31.57
Total revenue	9,314,192	8,918,144	(396,048)	.73
Operating expenses	10,215,492	9,201,531	(1,013,961)	(9.93)
Operating (loss)	(901,300)	(283,387)	617,913	(68.56)
County taxes	1,305,683	1,275,831	(29,852)	(2.29)
Income from investments	162,000	173,714	11,714	7.23
Other non-operating (losses) gains	(31,770)	(380,559)	(348,789)	10.98
Excess of revenues over expenses	\$ 534,613	\$ 785,599	\$ 250,986	46.95%

### **ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET**

Dallas County Hospital's Board and management considered many factors when setting the fiscal year 2006 budget. Of primary importance in setting the 2006 budget is the status of the economy, which takes into account market forces and environmental factors such as:

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

### **Contacting the Hospital's Finance Department**

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

**Dallas County Hospital  
BALANCE SHEETS**

<b>ASSETS</b>	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 361,528	\$ 275,462
Assets whose use is limited, required for current liabilities	585,910	261,944
Patient receivables, less allowances for contractual adjustments and uncollectibles 2005 \$524,764; 2004 \$481,599	861,342	1,118,955
Other receivables	351,183	130,499
Estimated third-party payor settlements	364,048	-
Inventories	242,307	250,608
Prepaid expenses	142,396	141,811
Total current assets	<u>2,908,714</u>	<u>2,179,279</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
For plant replacement and expansion		
Cash	504,463	292,575
Certificates of deposit	4,675,259	4,984,229
Investments	1,082,984	1,095,869
Interest receivable	51,329	30,737
Under loan agreement		
Cash	68,968	36,225
Certificate of deposit	430,000	280,000
	<u>6,813,003</u>	<u>6,719,635</u>
Less assets whose use is limited and that are required for current liabilities	585,910	261,944
Total assets whose use is limited	<u>6,227,093</u>	<u>6,457,691</u>
<b>PROPERTY AND EQUIPMENT</b>	16,755,212	14,658,636
Less accumulated depreciation and amortization	7,834,913	7,516,115
Total property and equipment	<u>8,920,299</u>	<u>7,142,521</u>
<b>OTHER ASSETS</b>		
Other receivable, foundation	500,000	500,000
Unamortized borrowing costs	134,953	113,432
Succeeding year property tax receivable	1,381,647	1,262,478
Total other assets	<u>2,016,600</u>	<u>1,875,910</u>
<b>RENTAL PROPERTY, NET</b>	<u>237,757</u>	<u>287,516</u>
Totals	<u>\$20,310,463</u>	<u>\$17,942,917</u>

See Notes to Financial Statements.

	<b>LIABILITIES AND FUND EQUITY</b>	
	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 569,215	\$ 248,061
Accounts payable	501,067	584,239
Accounts payable, construction and equipment	310,648	205,726
Accrued employee compensation	465,032	438,208
Payroll taxes and amounts withheld from employees	43,389	36,854
Accrued interest payable	16,695	13,883
Estimated third-party payor settlements	355,000	27,390
Deferred revenue--property taxes	227,332	197,024
	<u>2,488,378</u>	<u>1,751,385</u>
Total current liabilities		
 <b>LONG-TERM DEBT</b>		
Revenue bond	4,325,000	3,145,000
Obligation under capital leases	517,391	650,452
	<u>4,842,391</u>	<u>3,795,452</u>
Less current maturities	569,215	248,061
Total long-term debt	<u>4,273,176</u>	<u>3,547,391</u>
 <b>DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE</b>	 <u>1,381,647</u>	 <u>1,262,478</u>
 <b>CONTINGENCIES</b>		
 <b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	4,315,665	3,634,585
Restricted	498,968	316,225
Unrestricted	<u>7,352,629</u>	<u>7,430,853</u>
	<u>12,167,262</u>	<u>11,381,663</u>
 Totals	 <u>\$20,310,463</u>	 <u>\$17,942,917</u>

See Notes to Financial Statements.

**Dallas County 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 provisions for bad debts 2005 \$177,714; 2004 \$131,612	\$ 8,635,229	\$ 8,008,117
<b>OTHER REVENUE</b>	<u>282,915</u>	<u>304,281</u>
Total revenue	<u>8,918,144</u>	<u>8,312,398</u>
<b>EXPENSES</b>		
Nursing service	2,319,280	2,177,775
Other professional service	2,587,525	2,400,642
General service	1,082,769	983,792
Fiscal and administrative service and unassigned expenses	2,337,574	2,338,631
Provision for depreciation and amortization	<u>874,383</u>	<u>734,112</u>
Total expenses	<u>9,201,531</u>	<u>8,634,952</u>
Operating (loss)	<u>(283,387)</u>	<u>(322,554)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	1,275,831	1,284,173
Interest expense	(232,349)	(161,872)
(Loss) on sale of property and equipment	(91,063)	-
Investment income	173,714	160,431
Rental property, net	(40,542)	8,438
Unrestricted contributions	8,645	-
Donations	<u>(25,250)</u>	<u>(53,241)</u>
Total nonoperating gains (losses)	<u>1,068,986</u>	<u>1,237,929</u>
Excess of revenues and gains over expenses and losses	785,599	915,375
<b>TOTAL FUND EQUITY</b>		
Beginning	<u>11,381,663</u>	<u>10,466,288</u>
Ending	<u>\$12,167,262</u>	<u>\$11,381,663</u>

See Notes to Financial Statements.

**Dallas County Hospital  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from patients and third-party payors	\$8,856,404	\$8,370,852
Cash paid to suppliers for goods and services	(4,972,376)	(4,610,075)
Cash paid to employees for services	(3,396,869)	(3,215,845)
Other operating revenues received	<u>63,553</u>	<u>317,411</u>
Net cash provided by operating activities	<u>550,712</u>	<u>862,343</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Unrestricted contributions	8,645	-
Donations	(25,250)	-
County taxes received	<u>1,304,817</u>	<u>1,285,541</u>
Net cash provided by noncapital financing activities	<u>1,288,212</u>	<u>1,285,541</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(2,645,428)	(1,346,341)
Payments for revenue bond issuance cost	(29,862)	-
Proceeds from sale of equipment	7,126	-
Proceeds from long-term debt	1,500,000	-
Principal payments on long-term debt	(453,061)	(175,948)
Interest paid on long-term debt	<u>(221,196)</u>	<u>(152,622)</u>
Net cash (used in) capital and related financing activities	<u>(1,842,421)</u>	<u>(1,674,911)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	132,284	195,774
Purchase of certificates of deposit	(2,674,678)	(4,414,229)
Proceeds from maturities of certificates of deposit	2,867,371	3,108,690
Purchase of investments	-	(1,200,000)
Proceeds from maturities of investments	-	500,000
Cash received from rental properties	<u>9,217</u>	<u>25,009</u>
Net cash provided by (used in) investing activities	<u>334,194</u>	<u>(1,784,756)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	330,697	(1,311,783)
<b>CASH</b>		
Beginning	<u>604,262</u>	<u>1,916,045</u>
Ending	<u>\$ 934,959</u>	<u>\$ 604,262</u>

See Notes to Financial Statements.

**Dallas County Hospital**  
**STATEMENTS OF CASH FLOWS (continued)**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (283,387)	\$ (322,554)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Provision for depreciation and amortization	874,383	734,112
Change in assets and liabilities		
(Increase) decrease in patient receivables	257,613	(226,090)
(Increase) decrease in net estimated third-party payor settlements	(36,438)	588,825
(Increase) decrease in other receivables, net of noncapital financing activities	(219,362)	13,130
(Increase) decrease in inventories	8,301	20,702
(Increase) in prepaid expenses	(585)	(3,250)
Increase in accounts payable, net of amounts for property and equipment	(83,172)	13,666
Increase in accrued compensation and payroll taxes and withholdings	33,359	43,802
Net cash provided by operating activities	550,712	862,343
<b>RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Per balance sheet		
Current assets, cash	361,528	275,462
Assets whose use is limited, cash		
For plant replacement and expansion	504,463	292,575
Under loan agreement	68,968	36,225
Totals per statements of cash flows	\$ 934,959	\$ 604,262
<b>SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of equipment through capital leases	\$ —	\$ 716,400

See Notes to Financial Statements.

**Dallas County Hospital Foundation**  
**(A Component Unit of Dallas County Hospital)**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 97,275	\$ 244,284
Prepaid expenses	-	500
Interest receivable	2,048	1,866
Other receivables	-	635
Grant receivable	120,000	120,000
Certificate of deposit	30,000	30,000
Total current assets	249,323	397,285
<b>RESTRICTED CASH</b>		
Bond fund	132,471	122,045
Debt service reserve fund	399,243	394,736
Repair and replacement fund	20,676	13,262
Total restricted cash	552,390	530,043
<b>PROPERTY AND EQUIPMENT</b>		
Spring Valley Retirement Facility	4,729,339	4,709,996
Less accumulated depreciation and amortization	852,653	604,610
Total property and equipment	3,876,686	4,105,386
<b>OTHER ASSETS</b>		
Grant receivable, net of current portion	-	120,000
Deferred debt issue costs, net of accumulated amortization	197,877	214,717
Total other assets	197,877	334,717
Total assets	\$4,876,276	\$5,367,431
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 105,000	\$ 75,000
Accounts payable	285	4,327
Accounts payable, related party	314,160	112,764
Accounts payable, construction	-	4,912
Deposits	35,750	32,600
Accrued interest	96,052	96,390
Accrued property taxes	-	61,200
Total current liabilities	551,247	387,193
<b>LONG-TERM DEBT</b> , less current maturities	4,835,000	4,940,000
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	(512,930)	(82,721)
Temporarily restricted	2,959	122,959
Total net assets (deficit)	(509,971)	40,238
Total liabilities and net assets (deficit)	\$4,876,276	\$5,367,431

See Notes to Financial Statements.

**Dallas County Hospital Foundation**  
**(A Component Unit of Dallas County Hospital)**  
**STATEMENTS OF ACTIVITIES**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues		
Contributions and grants	\$ 23,105	\$ 1,125
Rental income		
Assisted and independent living units	751,795	718,936
Garage, guest room and other	16,580	14,182
Meal income	3,319	2,152
Investment return	8,411	5,393
Other	19,641	1,375
Total unrestricted revenues	822,851	743,163
Net assets released from restrictions	120,000	120,000
Total unrestricted revenues and other support	942,851	863,163
Expenses		
Program services		
Salaries	424,334	355,792
Fringe benefits and payroll taxes	122,078	92,093
Meals	93,387	88,986
Total program services	639,799	536,871
Supporting services		
Administration and general	88,644	55,743
Property taxes	-	61,200
Rent expense	7,000	7,000
Operation of plant	84,566	84,036
Depreciation and amortization	264,883	270,360
Total supporting services	445,093	478,339
Interest	288,168	290,547
Total expenses	1,373,060	1,305,757
(Decrease) in unrestricted net assets	(430,209)	(442,594)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Net assets released from restriction	(120,000)	(120,000)
(Decrease) in net assets	(550,209)	(562,594)
<b>NET ASSETS (DEFICIT)</b>		
Beginning	40,238	602,832
Ending	\$ (509,971)	\$ 40,238

See Notes to Financial Statements.

**Dallas County Hospital Foundation**  
**(A Component Unit of Dallas County Hospital)**  
**STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (550,209)	\$ (562,594)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation and amortization	264,883	270,360
Change in assets and liabilities		
(Increase) decrease in prepaid expenses	500	(500)
(Increase) in interest receivable	(182)	(690)
Decrease in other receivable	635	2,277
Decrease in grant receivable	120,000	120,000
(Decrease) in accounts payable, net of amounts for property and equipment	(8,954)	(6,595)
Increase (decrease) in accounts payable, related party	201,396	(12,672)
Increase in deposits	3,150	2,250
(Decrease) in accrued interest payable	(338)	(662)
Increase (decrease) in accrued property taxes	(61,200)	1,002
Net cash (used in) operating activities	(30,319)	(187,824)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Funding) of bond fund	(10,426)	(7,916)
(Funding) of debt service reserve fund	(4,507)	(1,916)
(Funding) of repair and replacement fund	(7,414)	(7,241)
Purchase of property and equipment	(19,343)	(48,248)
Net cash (used in) investing activities	(41,690)	(65,321)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term borrowings	(75,000)	(50,000)
<b>NET (DECREASE) IN CASH</b>	(147,009)	(303,145)
<b>CASH</b>		
Beginning	244,284	547,429
Ending	\$ 97,275	\$ 244,284
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 288,505	\$ 291,209

See Notes to Financial Statements.

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

For financial reporting purposes, Dallas County Hospital has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. For the fiscal year ended June 30, 2005, Dallas County Hospital has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Dallas County Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-19.

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

**Measurement Focus and Basis of Accounting**

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

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

**Accounting Standards**

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

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

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

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Accounting Standards (continued)**

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets. The Foundation had \$2,959 of temporarily restricted net assets at June 30, 2005. These net assets are related to Hospice program improvements and equipment for Dallas County Hospital.

**Fund Equity**

Fund equity is presented in the following three components:

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

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

**Restricted fund equity**

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

**Unrestricted fund equity**

Unrestricted fund equity has no externally imposed restrictions on use.

**Accounting Estimates and Assumptions**

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

**Inventories**

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

**Investments and Investment Income**

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

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

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Investments and Investment Income (continued)**

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

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

**Property and Equipment**

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

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

Land improvements	5 to 20 years
Buildings and fixed equipment	5 to 40 years
Major movable equipment	3 to 25 years

**Costs of Borrowing**

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

**Property Tax Receivable**

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

**Deferred Revenue**

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

**Charity Care**

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

**Dallas County Hospital  
NOTES TO FINANCIAL STATEMENTS**

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

**Net Patient Service Revenue**

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

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

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

**NOTE 2 CASH AND INVESTMENTS**

The Hospital's deposits in banks at June 30, 2005 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. The Hospital also maintains investments in marketable equity securities which were received by donation.

The Hospital's investments, except the marketable equity securities, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The marketable equity securities are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2005, the Hospital's investments are reported at fair value based upon quoted market prices.

	<u>Maturities</u>	
Investments		
The Principal Financial Group, money market funds	Daily	\$ 8,281
U.S. Government securities	11/15/05 - 2/15/06	998,717
Marketable equity securities	Daily	<u>84,267</u>
Total		<u>\$1,091,265</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 NET PATIENT SERVICE REVENUE**

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

**Medicare and Medicaid**

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2002.

**Other**

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

**NOTE 4 PROPERTY AND EQUIPMENT**

A summary of changes in property and equipment for the year ended June 30, 2005 and 2004 follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Balance June 30, 2005</u>
Land	\$ 69,523	\$ -	\$ -	\$ -	\$ 69,523
Land improvements	385,583	-	(691)	-	384,892
Buildings	5,278,824	1,874	(78,756)	659,329	5,861,271
Building service equipment	2,590,628	86,200	(14,969)	-	2,661,859
Fixed equipment	405,910	11,523	(3,671)	-	413,762
Major movable equipment	4,914,334	970,605	(555,686)	-	5,329,253
Construction in progress	<u>1,013,834</u>	<u>1,680,147</u>	<u>-</u>	<u>(659,329)</u>	<u>2,034,652</u>
Totals	14,658,636	2,750,349	(653,773)	-	16,755,212
Less accumulated depreciation and amortization	<u>(7,516,115)</u>	<u>(874,383)</u>	<u>555,585</u>	<u>-</u>	<u>(7,834,913)</u>
Net property and equipment	<u>\$ 7,142,521</u>	<u>\$1,875,966</u>	<u>\$ (98,188)</u>	<u>\$ -</u>	<u>\$ 8,920,299</u>
	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Balance June 30, 2004</u>
Land	\$ 86,023	\$ -	\$ (16,500)	\$ -	\$ 69,523
Land improvements	388,823	-	(3,240)	-	385,583
Buildings	2,611,627	183,572	(73,167)	2,556,792	5,278,824
Building service equipment	2,367,854	12,760	(39,986)	250,000	2,590,628
Fixed equipment	397,490	28,186	(19,766)	-	405,910
Major movable equipment	4,246,813	1,125,283	(457,762)	-	4,914,334
Construction in progress	<u>3,023,348</u>	<u>953,085</u>	<u>(155,807)</u>	<u>(2,806,792)</u>	<u>1,013,834</u>
Totals	13,121,978	2,302,886	(766,228)	-	14,658,636
Less accumulated depreciation and amortization	<u>(7,329,807)</u>	<u>(734,112)</u>	<u>547,804</u>	<u>-</u>	<u>(7,516,115)</u>
Net property and equipment	<u>\$ 5,792,171</u>	<u>\$1,568,774</u>	<u>\$ (218,424)</u>	<u>\$ -</u>	<u>\$ 7,142,521</u>

**Dallas County Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 PROPERTY AND EQUIPMENT (continued)**

Construction in progress at June 30, 2005 consists primarily of progress billings on a construction contract, plus architect and construction management fees relating to a facility expansion and equipment improvement project. Total costs associated with this project are expected to be approximately \$7,000,000 over a 5 year period. The project is expected to be financed using Hospital reserves, cash from operations and the acquisition of long-term debt. Commitments outstanding on signed contracts as of June 30, 2005, are approximately \$3,079,000.

Total depreciation expense for the years ended June 30, 2005 and 2004 was \$924,141 and \$750,683, respectively. Included in nonoperating gains was \$49,758 and \$16,571 of depreciation expense for 2005 and 2004, respectively.

**NOTE 5 RENTAL PROPERTY**

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

	June 30, 2005		June 30, 2004	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 844	\$ —	\$ 844	\$ —
Building	<u>1,084,894</u>	<u>847,980</u>	<u>1,084,894</u>	<u>798,222</u>
Totals	<u>\$1,085,738</u>	<u>\$ 847,980</u>	<u>\$1,085,738</u>	<u>\$ 798,222</u>

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

**NOTE 6 CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. In addition to the approved charity care described above, the Hospital believes that other uncollected charges would be approved under its charity care policy if the patient's financial situation was shared with the Hospital. Due to that information not always being available, the Hospital estimates approximately 50% of uncollectible patient accounts are in fact charity care and are being reported accordingly. The following information measures the level of charity care provided during the years ended June 30, 2005 and 2004.

	2005	2004
Approved charity care	\$ 3,524	\$ 12,571
Estimated charity care	<u>301,426</u>	<u>280,126</u>
Totals	<u>\$ 304,950</u>	<u>\$ 292,697</u>
Equivalent percentage of charity care to all patients served	<u>3.0%</u>	<u>3.0%</u>

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 MALPRACTICE CLAIMS**

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

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

Incidents occurring through June 30, 2005 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

**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 \$164,041, \$169,545 and \$171,615, respectively, equal to the required contributions for each year.

**NOTE 9 EMPLOYEE BENEFITS**

The Hospital has developed a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$30,000 per person. Expense under this self-insurance program, which include claims, administration fees and stop-loss insurance premiums, for the years ended June 30, 2005 and 2004 was \$233,411 and \$263,127, respectively.

**NOTE 10 HOSPITAL RISK MANAGEMENT**

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

**Dallas County Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 LONG-TERM DEBT**

	<b>Outstanding June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Hospital Revenue Bonds</b>		
<p>The Board of Trustees adopted a resolution to issue a \$3,360,000 Hospital Revenue Bonds Series 2002 dated July 1, 2002, to finance a facility expansion and improvement project. The bonds are payable in annual installments ranging from \$110,000 to \$265,000 through June, 2022 with interest payable semiannually at 3.50% to 5.90%. The Bond resolution requires, among other things, the establishment of a "Debt Service Reserve Fund" (the Reserve Fund) to be held by the issuer for the purpose of paying principal and interest on the Bonds when sufficient moneys are unavailable in the "Principal and Interest Sinking Fund" (the Sinking Fund) into which the loan repayments are deposited in order to pay the principal and interest on the Bonds. A balance of \$280,000 must be maintained in the Reserve Fund.</p>	\$3,030,000	\$3,145,000
<p>The Board of Trustees adopted a resolution to issue a \$1,500,000 Hospital Revenue Bonds Series 2004 dated October 14, 2004, to finance a facility expansion and improvement project. The bonds are payable in annual installments ranging from \$310,000 to \$340,000 through June, 2009 with interest payable semiannually at 2.75% to 3.65%. The Bond resolution requires, among other things, the establishment of a "Debt Service Reserve Fund" (the Reserve Fund) to be held by the issuer for the purpose of paying principal and interest on the Bonds when sufficient moneys are unavailable in the "Principal and Interest Sinking Fund" (the Sinking Fund) into which the loan repayments are deposited in order to pay the principal and interest on the Bonds. A balance of \$150,000 must be maintained in the Reserve Fund.</p>	1,295,000	—
<b>Obligation under Capital Leases</b>		
<p>The Hospital has entered into two agreements to acquire medical equipment under capital leases. The related liability under the leases is \$517,391, which is net of unamortized interest of \$43,209. The obligation under the first lease calls for monthly installments of \$8,421 through November, 2008, including interest at a rate of 4.53%. The obligation under the second lease calls for monthly installments of \$4,894 through February, 2009, including interest at 4.51%. The total amount capitalized under the leases is \$716,400 with related accumulated amortization of \$214,920 at June 30, 2005.</p>	<u>517,391</u> 4,842,391	<u>650,452</u> 3,795,452
Less current maturities	<u>569,215</u>	<u>248,061</u>
Total long-term debt	<u>\$4,273,176</u>	<u>\$3,547,391</u>

**Dallas County Hospital  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 LONG-TERM DEBT (continued)**

The following summarizes the maturities of long-term debt:

Year ending June 30	Capital lease obligations		Revenue notes payable	
	Principal	Interest	Principal	Interest
2006	\$ 139,215	\$ 20,568	\$ 430,000	\$ 200,335
2007	145,655	14,130	445,000	187,010
2008	152,391	7,393	455,000	171,840
2009	80,130	1,128	475,000	155,135
2010	—	—	140,000	136,650
2011-2015	—	—	810,000	573,895
2016-2020	—	—	1,055,000	335,513
2021-2022	—	—	515,000	45,895
Totals	<u>\$ 517,391</u>	<u>\$ 43,219</u>	<u>\$4,325,000</u>	<u>\$1,806,273</u>

Long-term debt activity for the years ended June 30, 2005 and 2004 follows:

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
<b>2005</b>					
Hospital revenue bonds	\$3,145,000	\$1,500,000	\$ 320,000	\$4,325,000	\$ 430,000
Obligations under capital lease	<u>650,452</u>	—	<u>133,061</u>	<u>517,391</u>	<u>139,215</u>
Totals	<u>\$3,795,452</u>	<u>\$1,500,000</u>	<u>\$ 453,061</u>	<u>\$4,842,391</u>	<u>\$ 569,215</u>
<b>2004</b>					
Hospital revenue bonds	\$3,255,000	\$ —	\$ 110,000	\$3,145,000	\$ 115,000
Obligations under capital lease	—	<u>716,400</u>	<u>65,948</u>	<u>650,452</u>	<u>133,061</u>
Totals	<u>\$3,255,000</u>	<u>\$ 716,400</u>	<u>\$ 175,948</u>	<u>\$3,795,452</u>	<u>\$ 248,061</u>

**NOTE 12 PATIENT RECEIVABLES**

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

	June 30	
	2005	2004
Receivable from patients	\$ 185,158	\$ 385,671
Receivable from insurance carriers	612,264	502,402
Receivable from Medicare	495,475	636,075
Receivable from Medicaid	<u>93,209</u>	<u>76,406</u>
Total patient receivables	1,386,106	1,600,554
Less allowances for contractual and other adjustments	<u>(524,764)</u>	<u>(481,599)</u>
Totals	<u>\$ 861,342</u>	<u>\$1,118,955</u>

**Dallas County Hospital**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 DALLAS COUNTY HOSPITAL FOUNDATION**

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Dallas County Hospital Foundation is a component unit of the Hospital. The Dallas County Hospital Foundation has been established to raise funds to support the operations and other activities of the Dallas County Hospital. The Foundation is considered to be a component unit of the Hospital based upon the significance of the related benefit to the Hospital. The Foundation's audited statement of financial position, statement of activities and statement of cash flows as of and for the years ended June 30, 2005 and 2004 are included on pages 17 - 19.

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

The Hospital also provides management services, employees and meals and maintenance services for the Spring Valley facility. The Foundation reimburses the Hospital periodically for these services, which totaled approximately \$511,000 for 2005 and \$579,000 for 2004.

In addition, the Hospital provided a \$500,000 loan to the Foundation which will be repaid as funds become available. This amount is included in long-term debt of the Foundation found on page 17.

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

Board of Trustees  
Dallas County Hospital  
Perry, Iowa

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

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

West Des Moines, Iowa  
September 28, 2005

**REQUIRED SUPPLEMENTARY INFORMATION**

**Dallas County Hospital**  
**BUDGET COMPARISON SCHEDULE OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS, BUDGET AND ACTUAL**  
**Year ended June 30, 2005**

The following is a comparison of reported amounts to budget:

	<b>Reported amounts (GAAP basis)</b>		<b>Budget basis adjustments</b>	<b>Budget basis</b>	<b>Adopted budget</b>
	<b>General funds</b>				
Amount to be raised by taxation	\$ 1,275,831	\$	-	\$ 1,275,831	\$ 1,262,478
Other revenues/receipts	<u>8,711,299</u>		<u>1,500,000</u>	<u>10,211,299</u>	<u>9,844,666</u>
	9,987,130		1,500,000	11,487,130	11,107,144
Expenses/expenditures	<u>9,201,531</u>		<u>2,499,590</u>	<u>11,701,121</u>	<u>15,646,960</u>
Net	785,599		(999,590)	(213,991)	(4,539,816)
Balance, beginning	<u>11,381,663</u>		<u>(6,092,123)</u>	<u>5,289,540</u>	<u>9,724,281</u>
Balance, ending	<u>\$12,167,262</u>		<u>\$(7,091,713)</u>	<u>\$ 5,075,549</u>	<u>\$ 5,184,465</u>

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

**OTHER SUPPLEMENTARY INFORMATION**

**Dallas County Hospital  
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
0 - 30 days (includes in-house and unbilled)	\$ 851,306	\$ 757,242	61.41%	47.32%
31 - 60 days	200,843	342,728	14.49	21.41
61 - 90 days	162,473	179,796	11.72	11.23
91 - 120 days	76,168	109,329	5.50	6.83
Over 120 days	<u>95,316</u>	<u>211,459</u>	<u>6.88</u>	<u>13.21</u>
Total	<u>1,386,106</u>	<u>1,600,554</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual	316,606	301,089		
Uncollectibles	<u>208,158</u>	<u>180,510</u>		
Total allowances	<u>524,764</u>	<u>481,599</u>		
Totals	<u>\$ 861,342</u>	<u>\$1,118,955</u>		
<b>NET PATIENT SERVICE REVENUE PER CALENDAR DAY</b>	<u>\$ 23,658</u>	<u>\$ 21,880</u>		
<b>NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR</b>	<u>36</u>	<u>51</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	\$ 180,510	\$ 188,501		
<b>ADD</b>				
Provision for bad debts	177,714	131,612	2.06%	1.64%
Recoveries of accounts previously written off	187,365	150,970	2.17	1.89
<b>LESS</b>				
Accounts written off	<u>(337,431)</u>	<u>(290,573)</u>	(3.91)	(3.63)
<b>BALANCE</b> , ending	<u>\$ 208,158</u>	<u>\$ 180,510</u>		

**Dallas County Hospital  
INVENTORIES**

	<b>June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Storeroom and other location supplies	\$ 131,379	\$ 130,357
Pharmacy	81,404	86,609
Laboratory	19,641	22,605
Dietary	<u>9,883</u>	<u>11,037</u>
Totals	<u>\$ 242,307</u>	<u>\$ 250,608</u>

**Dallas County Hospital  
PATIENT SERVICE REVENUE**

	<b>Total</b>	
	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>DAILY PATIENT SERVICES</b>		
Medical and surgical	\$ 492,763	\$ 421,746
Swing bed	495,906	536,573
Special care unit	17,360	120,950
	<u>1,006,029</u>	<u>1,079,269</u>
<b>OTHER NURSING SERVICES</b>		
Operating and recovery room	1,406,375	1,160,817
Medical and surgical supplies	60,246	42,806
Intravenous therapy	120,413	120,018
Emergency room	1,529,381	1,366,296
	<u>3,116,415</u>	<u>2,689,937</u>
<b>OTHER PROFESSIONAL SERVICES</b>		
Anesthesiology	164,084	144,249
Radiology	642,393	629,139
Ultrasound	234,806	211,688
Nuclear medicine	30,436	32,377
CT scans	873,050	626,075
Magnetic resonance imaging	293,033	167,961
Laboratory	1,183,621	1,135,915
Blood transfusion	43,973	19,844
Pharmacy	1,244,924	1,340,969
Electrocardiology	78,183	78,181
Physical therapy	741,795	779,570
Respiratory therapy	279,478	340,280
Speech therapy	16,345	18,931
Cardiac Rehab. Phase II	54,089	59,853
Patient observation	-	46,292
Occupational therapy	118,829	142,642
Echocardiology	296,041	225,390
	<u>6,295,080</u>	<u>5,999,356</u>
	10,417,524	9,768,562
Charity care charges foregone, based on established rates	<u>(304,950)</u>	<u>(292,697)</u>
Total gross patient service revenue	10,112,574	9,475,865
Provisions for contractual and other adjustments	<u>(1,477,345)</u>	<u>(1,467,748)</u>
Net patient service revenue	<u>\$ 8,635,229</u>	<u>\$8,008,117</u>

<u>Inpatient</u>		<u>Outpatient</u>		<u>Swing bed</u>	
<u>Year ended June 30</u>		<u>Year ended June 30</u>		<u>Year ended June 30</u>	
<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
\$ 492,763	\$ 421,746	\$ -	\$ -	\$ -	\$ -
-	-	-	-	495,906	536,573
17,360	120,950	-	-	-	-
<u>510,123</u>	<u>542,696</u>	<u>-</u>	<u>-</u>	<u>495,906</u>	<u>536,573</u>
63,792	54,090	1,340,346	1,094,040	2,237	12,687
33,529	27,750	6,040	14,989	20,677	67
53,112	54,722	43,378	38,045	23,923	27,251
26,056	32,927	1,503,302	1,333,352	23	17
<u>176,489</u>	<u>169,489</u>	<u>2,893,066</u>	<u>2,480,426</u>	<u>46,860</u>	<u>40,022</u>
14,402	10,107	147,896	132,394	1,786	1,748
14,535	20,145	620,384	601,359	7,474	7,635
7,160	5,301	224,459	204,894	3,187	1,493
2,176	-	26,165	31,565	2,095	812
45,538	53,211	821,178	565,384	6,334	7,480
-	-	293,033	167,961	-	-
115,853	124,920	1,037,842	981,212	29,926	29,783
14,278	7,649	27,337	11,431	2,358	764
185,293	218,417	870,433	930,972	189,198	191,580
8,881	8,877	68,418	68,692	884	612
11,029	8,481	654,931	680,412	75,835	90,677
145,143	163,519	46,045	42,961	88,290	133,800
2,507	1,561	11,088	15,040	2,750	2,330
-	-	54,089	59,853	-	-
-	340	-	45,952	-	-
2,354	2,128	84,071	106,533	32,404	33,981
4,530	8,787	286,981	208,676	4,530	7,927
<u>573,679</u>	<u>633,443</u>	<u>5,274,350</u>	<u>4,855,291</u>	<u>447,051</u>	<u>510,622</u>
<u>\$1,260,291</u>	<u>\$1,345,628</u>	<u>\$8,167,416</u>	<u>\$7,335,717</u>	<u>\$ 989,817</u>	<u>\$1,087,217</u>

**Dallas County Hospital**  
**PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Contractual adjustments		
Medicare	\$ 482,063	\$ 711,766
Medicaid	217,367	112,854
Other	600,201	511,516
Provision for bad debts	<u>177,714</u>	<u>131,612</u>
 Totals	 <u>\$1,477,345</u>	 <u>\$1,467,748</u>

**OTHER REVENUE**

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Employee and guest meals	\$ 158,856	\$ 184,848
Lifeline, net of expenses	(6,889)	18,968
Physician billing	-	4,610
Child day care, net of expenses	-	22,187
Wear House, net of expenses	-	(5,126)
Miscellaneous	<u>130,948</u>	<u>78,794</u>
 Totals	 <u>\$ 282,915</u>	 <u>\$ 304,281</u>

**Dallas County Hospital  
NURSING SERVICE EXPENSES**

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
<b>NURSING ADMINISTRATION</b>		
Salaries	\$ 34,212	\$ —
Supplies and expenses	<u>148</u>	<u>58</u>
	<u>34,360</u>	<u>58</u>
<b>MEDICAL AND SURGICAL</b>		
Salaries	690,367	695,208
Supplies and expenses	<u>69,998</u>	<u>36,007</u>
	<u>760,365</u>	<u>731,215</u>
<b>PATIENT CARE COORDINATOR</b>		
Salaries	32,460	12,785
Professional fees	255	—
Supplies and expenses	<u>3,487</u>	<u>3,967</u>
	<u>36,202</u>	<u>16,752</u>
<b>OPERATING AND RECOVERY ROOM AND CENTRAL SUPPLY</b>		
Salaries	195,042	192,942
Supplies and expenses	215,380	213,718
Intravenous solutions	<u>829</u>	<u>3,404</u>
	<u>411,251</u>	<u>410,064</u>
<b>EMERGENCY ROOM</b>		
Salaries	350,197	314,302
Professional fees	581,980	561,579
Supplies and expenses	<u>52,614</u>	<u>49,224</u>
	<u>984,791</u>	<u>925,105</u>
<b>QUALITY ASSURANCE</b>		
Salaries	45,600	53,337
Supplies and expenses	<u>46,711</u>	<u>41,244</u>
	<u>92,311</u>	<u>94,581</u>
Totals	<u>\$2,319,280</u>	<u>\$2,177,775</u>

**Dallas County Hospital**  
**OTHER PROFESSIONAL SERVICE EXPENSES**

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
<b>ANESTHESIOLOGY</b>		
Professional fees	\$ 119,900	\$ 96,135
Supplies and expenses	<u>1,514</u>	<u>7,251</u>
	<u>121,414</u>	<u>103,386</u>
<b>RADIOLOGY</b>		
Salaries	255,336	209,129
Professional fees	39,450	16,589
Supplies and expenses	<u>131,238</u>	<u>96,750</u>
	<u>426,024</u>	<u>322,468</u>
<b>MAGNETIC RESONANCE IMAGING</b>		
Professional fees	<u>67,900</u>	<u>45,925</u>
<b>NUCLEAR MEDICINE</b>		
Professional fees	<u>17,596</u>	<u>19,445</u>
<b>LABORATORY</b>		
Salaries	185,171	185,518
Professional fees	1,522	5,394
Supplies and expenses	<u>283,713</u>	<u>250,313</u>
	<u>470,406</u>	<u>441,225</u>
<b>PHARMACY</b>		
Salaries	17,934	19,649
Professional fees	135,380	120,089
Drugs	417,877	445,912
Supplies and expenses	<u>35,252</u>	<u>35,918</u>
	<u>606,443</u>	<u>621,568</u>
<b>PHYSICAL THERAPY</b>		
Professional fees	270,489	283,163
Supplies and expenses	<u>7,766</u>	<u>10,735</u>
	<u>278,255</u>	<u>293,898</u>
<b>RESPIRATORY THERAPY, ELECTROCARDIOLOGY AND ECHOCARDIOLOGY</b>		
Salaries	122,786	117,895
Professional fees	123,616	99,127
Supplies and expenses	<u>28,258</u>	<u>28,580</u>
	<u>274,660</u>	<u>245,602</u>
<b>SPEECH THERAPY</b>		
Professional fees	<u>5,965</u>	<u>7,039</u>
<b>CARDIAC REHABILITATION</b>		
Salaries	49,343	58,642
Supplies and expenses	<u>7,582</u>	<u>2,918</u>
	<u>56,925</u>	<u>61,560</u>
<b>OCCUPATIONAL THERAPY</b>		
Professional fees	<u>43,462</u>	<u>51,998</u>
<b>MEDICAL RECORDS</b>		
Salaries	160,711	149,317
Supplies and expenses	<u>57,764</u>	<u>37,211</u>
	<u>218,475</u>	<u>186,528</u>
Totals	<u>\$2,587,525</u>	<u>\$2,400,642</u>

**Dallas County Hospital  
GENERAL SERVICE EXPENSES**

	<b>Year ended June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>DIETARY</b>		
Salaries	\$ 211,332	\$ 166,291
Professional fees	215	156
Food	154,207	129,511
Supplies and expenses	<u>31,333</u>	<u>57,838</u>
	<u>397,087</u>	<u>353,796</u>
<b>OPERATION OF PLANT</b>		
Salaries	94,036	63,136
Fuel	101,014	101,256
Utilities	143,763	126,292
Repairs and maintenance	70,507	73,304
Supplies and expenses	<u>95,245</u>	<u>92,821</u>
	<u>504,565</u>	<u>456,809</u>
<b>ENVIRONMENTAL SERVICES</b>		
Salaries	124,125	116,614
Supplies, expenses, laundry service and linens	<u>56,992</u>	<u>56,573</u>
	<u>181,117</u>	<u>173,187</u>
 Totals	 <u>\$1,082,769</u>	 <u>\$ 983,792</u>

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

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>FISCAL AND ADMINISTRATIVE SERVICE</b>		
Administration		
Salaries	\$ 622,589	\$ 670,027
Professional fees	166,001	169,539
Collection fees	109,328	93,176
Equipment rental and repair	1,821	11,554
Supplies and expenses	182,835	157,319
Physician recruitment	—	3,053
	<u>1,082,574</u>	<u>1,104,668</u>
Human Resources		
Salaries	60,046	58,807
Supplies and expenses	33,584	23,824
	<u>93,630</u>	<u>82,631</u>
Purchasing		
Salaries	55,647	48,987
Supplies and expenses	23,264	5,909
	<u>78,911</u>	<u>54,896</u>
Accounting/Information Technology		
Salaries	107,189	111,503
Professional fees	86,525	53,994
Supplies and expenses	64,858	85,885
	<u>258,572</u>	<u>251,382</u>
Wellness		
Salaries	1,210	1,088
Supplies and expenses	2,167	2,064
	<u>3,377</u>	<u>3,152</u>
Auxiliary and Volunteers		
Salaries	14,895	14,470
Supplies and expenses	428	630
	<u>15,323</u>	<u>15,100</u>
Total fiscal and administrative services	<u>1,532,387</u>	<u>1,511,829</u>
<b>UNASSIGNED EXPENSES</b>		
Employee benefits		
FICA	239,100	221,534
IPERS	164,041	169,545
Workers' compensation	40,265	35,256
Group health insurance	233,411	263,127
Long-term disability	28,755	32,237
Insurance	99,615	105,103
Total unassigned expenses	<u>805,187</u>	<u>826,802</u>
Totals	<u>\$2,337,574</u>	<u>\$2,338,631</u>

**Dallas County Hospital  
COMPARATIVE REVENUE AND EXPENSES**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>NET PATIENT SERVICE REVENUE</b>	\$8,635,229	\$8,008,117
<b>OTHER REVENUE</b>	<u>282,915</u>	<u>304,281</u>
Total revenue	<u>8,918,144</u>	<u>8,312,398</u>
<b>EXPENSES</b>		
Salaries	3,430,228	3,259,647
Supplies, professional fees and other expenses	4,896,920	4,641,193
Provision for depreciation and amortization	<u>874,383</u>	<u>734,112</u>
Total expenses	<u>9,201,531</u>	<u>8,634,952</u>
Operating (loss)	<u>(283,387)</u>	<u>(322,554)</u>
<b>NONOPERATING GAINS (LOSSES)</b>		
County taxes	1,275,831	1,284,173
Interest expense	(232,349)	(161,872)
(Loss) on sale of property and equipment	(91,063)	-
Investment income	173,714	160,431
Rental property, net	(40,542)	8,438
Unrestricted contributions	8,645	-
Donations	<u>(25,250)</u>	<u>(53,241)</u>
Total nonoperating gains	<u>1,068,986</u>	<u>1,237,929</u>
Excess of revenue and gains over expenses and losses	<u>\$ 785,599</u>	<u>\$ 915,375</u>

**Dallas County Hospital  
COMPARATIVE STATISTICS**

	<b>Year ended June 30</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>PATIENT DAYS</b>		
Medical and surgical	971	1,142
Swing bed	<u>1,228</u>	<u>1,316</u>
Totals	<u>2,199</u>	<u>2,458</u>
<b>ADMISSIONS</b>		
Acute	293	348
Swing bed	<u>125</u>	<u>164</u>
Totals	<u>418</u>	<u>512</u>
<b>DISCHARGES</b>		
Acute	294	332
Swing bed	<u>129</u>	<u>150</u>
Totals	<u>423</u>	<u>482</u>
<b>AVERAGE LENGTH OF STAY</b>		
Acute	3.30	3.44
Swing bed	9.82	8.77
<b>BEDS</b>		
Acute	25	25
<b>OCCUPANCY PERCENT</b>		
Acute	10.64%	12.48%

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

To the Board of Trustees  
Dallas County Hospital  
Perry, Iowa

We have audited the financial statements of Dallas County Hospital as of and for the year ended June 30, 2005, and have issued our report thereon dated September 28, 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 Dallas County Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

**Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 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 Part II of the accompanying Schedule of Findings.

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

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

West Des Moines, Iowa  
September 28, 2005

**Dallas County 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.

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