

**Keokuk County Health Center
Sigourney, Iowa**

FINANCIAL REPORT

June 30, 2005

CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-10
FINANCIAL STATEMENTS	
Balance sheets	11
Statements of revenues, expenses, and changes in fund equity	12
Statements of cash flows	13-14
Notes to financial statements	15-21
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	22
SUPPLEMENTARY INFORMATION	
Analysis of patient receivables	23
Analysis of allowance for uncollectibles	23
Patient service revenue	24
Provisions for contractual and other adjustments	25
Other revenue	25
Expenses	26
Comparative statistics	27
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	28-29
SCHEDULE OF FINDINGS	30-31

**Keokuk County Health Center
OFFICIALS
June 30, 2005**

BOARD OF TRUSTEES

Officers

Tony Latcham, Chair
Brian Horras, Vice Chair
Frank Mertz, Secretary/Treasurer

Expiration of term

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

Members

Elayne Campbell
Loretta Hudson
Cheryl Monroe

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

CHIEF EXECUTIVE OFFICER

Pat Peters

CHIEF FINANCIAL OFFICER

Matt Ives

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Keokuk County Health Center
Sigourney, Iowa

We have audited the accompanying balance sheets of Keokuk County Health Center, 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 Health Center'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 audits 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 Keokuk County Health Center 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 our report dated August 16, 2005 on our consideration of Keokuk County Health Center'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 considered in assessing the results of our audit.

Management's discussion and analysis on pages 5-10 is not a required part of the basic financial statements but is supplementary information required by the 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
August 16, 2005

Keokuk County Health Center MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Keokuk County Health Center, we offer readers of the financial statements this narrative overview and analysis of the Health Center's financial performance during the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Health Center'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 Health Center, 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 Health Center report information 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 Health Center's assets and liabilities and provides information about the nature and amounts of investments in resources, assets, and the obligations to Health Center's creditors, liabilities. It also provides the basis for evaluating the capital structure of the Health Center and assessing the liquidity and financial flexibility of the Health Center.

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 Health Center operations over the past year and can be used to determine whether the Health Center 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 \$383,634 or 12% to \$3,716,442
- Total property and equipment increased by \$104,935 to \$1,449,918
- Total fund equity increased by \$302,404 to \$2,080,681
- Total note payable and long-term debt decreased by \$336,003 to \$-0-
- Net patient service revenue increased by \$249,158, or 8% primarily due to an increase in certain ancillary services
- Expenses decreased by \$25,702 to \$3,845,981

Financial Analysis of the Health Center

The balance sheets and the statements of revenues, expenses, and changes in fund equity report the fund equity of the Health Center and the changes in them. The Health Center'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 Health Center'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 Health Center's balance sheets is presented in Table 1.

Table 1
Condensed Balance Sheets

	June 30		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets	\$1,596,524	\$1,307,825	\$1,277,024
Property and equipment	1,449,918	1,344,983	1,336,557
Other assets	<u>670,000</u>	<u>680,000</u>	<u>540,000</u>
 Total assets	 <u>\$3,716,442</u>	 <u>\$3,332,808</u>	 <u>\$3,153,581</u>
Current liabilities	\$ 965,761	\$ 830,237	\$ 675,092
Long-term debt, less current maturities	—	44,294	63,691
Other noncurrent liabilities	<u>670,000</u>	<u>680,000</u>	<u>540,000</u>
 Total liabilities	 <u>\$1,635,761</u>	 <u>\$1,554,531</u>	 <u>\$1,278,783</u>
Invested in capital assets, net of related debt	\$1,449,918	\$1,268,980	\$1,318,601
Unrestricted	<u>630,763</u>	<u>509,297</u>	<u>556,197</u>
 Total fund equity	 <u>\$2,080,681</u>	 <u>\$1,778,277</u>	 <u>\$1,874,798</u>

As depicted in Table 1, total assets increased in fiscal year 2005 to \$3,716,442. The change in total assets results primarily from increased current assets, primarily cash and patient receivables. During fiscal year 2005, the Health Center began a construction project consisting of a replacement health center adjoining the existing facility. Construction costs are to be funded by issuance of long-term debt.

Revenues, Expenses, and Changes in Fund Equity

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

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

	Year ended June 30		
	2005	2004	2003
Net patient service revenue	\$3,414,059	\$3,164,901	\$3,478,009
Other revenue	<u>68,519</u>	<u>67,352</u>	<u>53,903</u>
Total revenue	<u>3,482,578</u>	<u>3,232,253</u>	<u>3,531,912</u>
Salaries	1,837,313	1,910,167	1,738,581
Other expenses	1,849,946	1,797,396	1,865,659
Provision for depreciation	<u>158,722</u>	<u>164,120</u>	<u>171,332</u>
Total expenses	<u>3,845,981</u>	<u>3,871,683</u>	<u>3,775,572</u>
Operating (loss)	<u>(363,403)</u>	<u>(639,430)</u>	<u>(243,660)</u>
County taxes	677,335	559,758	553,669
Investment income	1,137	1,421	2,626
Unrestricted contributions	1,733	998	14,878
Interest expense	<u>(14,398)</u>	<u>(19,268)</u>	<u>(25,545)</u>
Total nonoperating gains	<u>665,807</u>	<u>542,909</u>	<u>545,628</u>
Change in fund equity	302,404	(96,521)	301,968
Total fund equity, beginning	<u>1,778,277</u>	<u>1,874,798</u>	<u>1,572,830</u>
Total fund equity, ending	<u>\$2,080,681</u>	<u>\$1,778,277</u>	<u>\$1,874,798</u>

Operating and Financial Performance

The following summarizes the Health Center's statements of revenues, 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: Acute discharges for fiscal year 2005 were 44 compared to 45 in fiscal year 2004. Average length of stay decreased slightly as patient days decreased to 143 from 164 in 2004. Swing bed discharges for fiscal year 2005 were 50 compared to 30 in fiscal year 2004. Average length of stay increased as patient days increased to 687 from 366 in 2004. Volume on the outpatient side increased in 2005. In 2005, gross outpatient charges increased to \$2,478,310 compared to \$2,231,522 in 2004.

Price Increase: As is customary, the Health Center annually reviews its charge structure and incorporate certain price increases. Overall, gross patient service revenue increased to \$3,351,796 from \$2,999,212 in 2004.

Payor Mix: The Health Center is 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 continuing designation, contractual adjustments and bad debts remained relatively steady at \$(62,263) in 2005 compared to \$(165,689) in 2004. This represents an additional 2% reimbursement over standard 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	59%	56%	49%
Medicaid	7	8	8
Wellmark	12	10	10
Commercial insurance	8	8	9
Self pay	<u>14</u>	<u>18</u>	<u>24</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$68,519 in 2005 compared to \$67,352 in 2004.

Expenses

Approximately 50% of Health Center's expenses are for salaries. Total salaries decreased by 4% to \$1,837,313 in 2005 from \$1,910,167 in 2004. The Health Center department experiencing the most significant decrease in 2005 was ambulance.

Approximately 45% of Health Center's expenses are for supplies and expenses. Total supplies and expenses increased by 4% to \$1,849,946 in 2005 from \$1,797,396 in 2004.

Approximately 5% of Health Center's expenses relate to provision for depreciation. The provision for depreciation decreased to \$158,722 in 2005 from \$164,120 in 2004.

Nonoperating Gains

Nonoperating gains increased to \$665,807 from \$542,909 in 2004, primarily due to increased county taxes.

Property and Equipment

At the end of 2005, the Health Center had \$1,449,918 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, \$263,657 was spent to acquire new equipment and to begin the construction project, consisting of a replacement health center adjoining the existing facility.

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

Table 4
Property and Equipment

	June 30		
	2005	2004	2003
Land	\$ 6,500	\$ 6,500	\$ 6,500
Land improvements	42,504	42,504	42,832
Building	1,463,913	1,661,889	1,666,102
Fixed equipment	323,585	488,926	498,609
Major movable equipment	540,891	561,259	598,677
Construction in progress	<u>344,316</u>	<u>86,659</u>	<u>43,289</u>
Subtotal	2,721,709	2,847,737	2,856,009
Less accumulated depreciation	(1,271,791)	(1,502,754)	(1,476,163)
Property and equipment	<u>\$1,449,918</u>	<u>\$1,344,983</u>	<u>\$1,379,846</u>

Debt Administration

At year end, the Health Center had fully paid its note payable and long-term debt. Note payable and long-term debt decreased by \$336,003 in fiscal year 2005. More detailed information about the Health Center's long-term debt is presented in the Notes to Financial Statements.

Performance Compared to County Hospital Budget

The Health Center 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 Health Center's fiscal year 2005 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs County Hospital Budget

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 746,590	\$ 715,914	\$ 30,676
Other revenues/receipts	<u>3,471,050</u>	<u>3,629,445</u>	<u>(158,395)</u>
	4,217,640	4,345,359	(127,719)
Expenses/expenditures	<u>4,314,896</u>	<u>4,255,634</u>	<u>(59,262)</u>
Net	<u>\$ (97,256)</u>	<u>\$ 89,725</u>	<u>\$ (186,981)</u>

Actual other revenues/receipts results were lower than County Hospital budget primarily due to less net patient service revenue. Expenses/expenditures were higher than County Hospital budget primarily due to the initial costs relating to the Health Center's construction project.

Economic and Other Factors and Next Year's Budget

The Health Center's board and management considered many factors when setting the fiscal year 2006 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 or renovation
- Technology advancements

Contacting Health Center's Management

This financial report is designed to provide users with a general overview of the Health Center's finances and to demonstrate the Health Center's accountability. If you have questions about this report or need additional information, contact Keokuk County Health Center at (641) 622-2720 or write care of: Chief Financial Officer, Keokuk County Health Center, 1312 South Stuart St., Sigourney, Iowa 52591.

**Keokuk County Health Center
BALANCE SHEETS**

ASSETS	June 30	
	2005	2004
CURRENT ASSETS		
Cash	\$ 556,508	\$ 194,610
Patient receivables, less allowances for contractual adjustments and uncollectible accounts	796,094	648,460
Other receivables	14,318	10,157
Estimated third-party payor settlements	110,000	350,000
Inventories	83,410	81,868
Prepaid expenses	36,194	22,730
Total current assets	<u>1,596,524</u>	<u>1,307,825</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	2,721,709	2,847,737
Total property and equipment	<u>1,271,791</u>	<u>1,502,754</u>
	<u>1,449,918</u>	<u>1,344,983</u>
OTHER ASSET		
Succeeding year property tax receivable	670,000	680,000
Totals	<u>\$3,716,442</u>	<u>\$3,332,808</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Note payable	\$ -	\$ 200,000
Current maturities of long-term debt	-	91,709
Accounts payable	229,920	215,425
Accrued employee compensation	113,662	103,946
Payroll taxes and amounts withheld from employees	12,179	19,157
Estimated third-party payor settlements	610,000	200,000
Total current liabilities	<u>965,761</u>	<u>830,237</u>
LONG-TERM DEBT , less current maturities	<u>-</u>	<u>44,294</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	<u>670,000</u>	<u>680,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	1,449,918	1,268,980
Unrestricted	630,763	509,297
Total fund equity	<u>2,080,681</u>	<u>1,778,277</u>
Totals	<u>\$3,716,442</u>	<u>\$3,332,808</u>

See Notes to Financial Statements.

Keokuk County Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

	Year ended June 30	
	2005	2004
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2005 \$184,165; 2004 \$174,700	\$3,414,059	\$3,164,901
OTHER REVENUE	<u>68,519</u>	<u>67,352</u>
Total revenue	<u>3,482,578</u>	<u>3,232,253</u>
EXPENSES		
Nursing service	1,526,578	1,613,935
Other professional service	862,488	777,908
General service	393,512	439,054
Fiscal and administrative service and unassigned expenses	904,681	876,666
Provision for depreciation	<u>158,722</u>	<u>164,120</u>
Total expenses	<u>3,845,981</u>	<u>3,871,683</u>
Operating (loss)	<u>(363,403)</u>	<u>(639,430)</u>
NONOPERATING GAINS (LOSSES)		
County taxes	677,335	559,758
Investment income	1,137	1,421
Unrestricted contributions	1,733	998
Interest expense	<u>(14,398)</u>	<u>(19,268)</u>
Total nonoperating gains (losses)	<u>665,807</u>	<u>542,909</u>
Change in fund equity	302,404	(96,521)
TOTAL FUND EQUITY		
Beginning	<u>1,778,277</u>	<u>1,874,798</u>
Ending	<u>\$2,080,681</u>	<u>\$1,778,277</u>

**Keokuk County Health Center
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$3,916,425	\$3,124,784
Cash paid to suppliers for goods and services	(1,861,596)	(1,760,325)
Cash paid to employees for services	(1,827,597)	(1,991,902)
Other operating revenue received	<u>68,519</u>	<u>67,352</u>
Net cash provided by (used in) operating activities	<u>295,751</u>	<u>(560,091)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	677,335	559,758
Contributions received	<u>1,733</u>	<u>998</u>
Net cash provided by noncapital financing activities	<u>679,068</u>	<u>560,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	85,887
Acquisition of property and equipment	(263,657)	(129,257)
Principal payments on note payable	(200,000)	-
Principal payments on long-term debt	(136,003)	(87,840)
Interest paid on long-term debt	<u>(14,398)</u>	<u>(19,268)</u>
Net cash (used in) capital and related financing activities	<u>(614,058)</u>	<u>(150,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,137</u>	<u>1,421</u>
NET INCREASE (DECREASE) IN CASH	361,898	(148,392)
CASH		
Beginning	<u>194,610</u>	<u>343,002</u>
Ending	<u>\$ 556,508</u>	<u>\$ 194,610</u>

See Notes to Financial Statements.

**Keokuk County Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2005	2004
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (363,403)	\$ (639,430)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities		
Depreciation	158,722	164,120
Changes in assets and liabilities		
(Increase) decrease in patient receivables	(147,634)	9,883
(Increase) in other receivables	(4,161)	(239)
(Increase) decrease in net estimated third-party payor settlements	650,000	(50,000)
(Increase) decrease in inventories	(1,542)	26,369
(Increase) in prepaid expenses	(13,464)	(8,495)
Increase in accounts payable	14,495	21,519
Increase (decrease) in accrued employee compensation	9,716	(81,735)
(Decrease) in payroll taxes and amounts withheld from employees	<u>(6,978)</u>	<u>(2,083)</u>
Net cash provided by (used in) operating activities	<u>\$ 295,751</u>	<u>\$ (560,091)</u>

Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Health Center 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 Keokuk County, Iowa. The Health Center is governed by an elected Board of Trustees.

Reporting Entity

For financial reporting purposes, Keokuk County Health Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Health Center 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 Health Center are such that exclusion would cause the Health Center'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 Health Center 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 Health Center. These criteria also include organizations that are fiscally dependent on the Health Center. The Health Center has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Health Center is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Health Center 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 Health Center 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 Health Center has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989.

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 Health Center is four to forty years.

**Keokuk County Health Center
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 that 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 For Succeeding Year Property Tax Receivable

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:

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 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.

Net Patient Service Revenue

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

Revenues, Expenses, and Changes in Fund Equity

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

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Policy

The Health Center 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, 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.

Reclassification

Certain reclassifications have been made in the June 30, 2004 financial statements to conform to the June 30, 2005 presentation. These reclassifications had no impact on the total fund equity or the change in fund equity.

NOTE 2 CASH

The Health Center'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 Health Center 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:

	Year ended June 30	
	2005	2004
Patients	\$ 210,131	\$ 207,297
Insurance carriers	190,641	137,552
Medicare	295,711	261,574
Medicaid	<u>109,611</u>	<u>92,037</u>
Total patient receivables	806,094	698,460
Less allowances for contractual adjustments and uncollectible accounts	<u>(10,000)</u>	<u>(50,000)</u>
Net patient receivables	<u>\$ 796,094</u>	<u>\$ 648,460</u>

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 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	\$ 6,500	\$ —	\$ 6,500	\$ —
Land improvements	42,504	20,487	42,504	16,928
Building	1,463,913	693,624	1,661,889	856,294
Fixed equipment	323,585	174,431	488,926	304,769
Major movable equipment	540,891	383,249	561,259	324,763
Construction in progress	<u>344,316</u>	<u>—</u>	<u>86,659</u>	<u>—</u>
Totals	<u>\$2,721,709</u>	<u>\$1,271,791</u>	<u>\$2,847,737</u>	<u>\$1,502,754</u>

Construction in progress at June 30, 2005 consists primarily of progress billings for architect and engineering fees related to a proposed construction project. The proposed project includes construction of a replacement health center adjoining the existing facility. The estimated total cost of the project is approximately \$10 million and is to be funded by issuance of long-term debt. As of June 30, 2005, the Health Center has entered into contracts to provide architect and construction management services.

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	\$ 6,500	\$ —	\$ —	\$ 6,500
Land improvements	42,504	—	—	42,504
Building	1,661,889	—	197,976	1,463,913
Fixed equipment	488,926	—	165,341	323,585
Major movable equipment	561,259	6,000	26,368	540,891
Construction in progress	<u>86,659</u>	<u>257,657</u>	<u>—</u>	<u>344,316</u>
Totals	2,847,737	263,657	389,685	2,721,709
Less accumulated depreciation	<u>(1,502,754)</u>	<u>(158,722)</u>	<u>(389,685)</u>	<u>(1,271,791)</u>
Net property and equipment	<u>\$1,344,983</u>	<u>\$ 104,935</u>	<u>\$ —</u>	<u>\$1,449,918</u>

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	\$ 6,500	\$ —	\$ —	\$ 6,500
Land improvements	42,832	—	328	42,504
Building	1,666,102	—	4,213	1,661,889
Fixed equipment	498,609	—	9,683	488,926
Major movable equipment	598,677	85,887	123,305	561,259
Construction in progress	<u>43,289</u>	<u>43,370</u>	<u>—</u>	<u>86,659</u>
Totals	2,856,009	129,257	137,529	2,847,737
Less accumulated depreciation	<u>(1,476,163)</u>	<u>(164,120)</u>	<u>(137,529)</u>	<u>(1,502,754)</u>
Net property and equipment	<u>\$1,379,846</u>	<u>\$ (34,863)</u>	<u>\$ —</u>	<u>\$1,344,983</u>

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2005	2004
Note payable, operating	\$ —	\$ 60,000
Note payable, equipment	—	72,312
Note payable, other	—	3,691
Total	—	136,003
Less current maturities	—	91,709
Long-term debt, net of current maturities	\$ —	\$ 44,294

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

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Note payable, operating	\$ 60,000	\$ —	\$ 60,000	\$ —	\$ —
Note payable, equipment	72,312	—	72,312	—	—
Note payable, other	3,691	—	3,691	—	—
Totals	\$ 136,003	\$ —	\$ 136,003	\$ —	\$ —

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

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Note payable, operating	\$ 120,000	\$ —	\$ 60,000	\$ 60,000	\$ 60,000
Note payable, equipment	—	85,887	13,575	72,312	28,018
Note payable, other	17,956	—	14,265	3,691	3,691
Totals	\$ 137,956	\$ 85,887	\$ 87,840	\$ 136,003	\$ 91,709

NOTE 6 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Health Center is 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 Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the fiscal intermediary. The Health Center's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Health Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2003.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 NET PATIENT SERVICE REVENUE (continued)

Other

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

NOTE 7 MEDICAL CLINIC

The Health Center and a medical services corporation have entered into a lease agreement covering the Health Center's medical clinic. The lease, which was renewed for an unspecified period, calls for monthly rent of \$2,573. The rental income amount included in other revenue was \$30,876 for each of the years ended June 30, 2005 and 2004.

NOTE 8 MALPRACTICE CLAIMS

The Health Center 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 Health Center 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 impact on the financial position or the results of operations of the Health Center.

Incidents occurring through June 30, 2005 may result in the assertion of claims. 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 9 DEFINED BENEFIT PENSION PLAN

The Health Center 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 Health Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Health Center's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$105,370, \$109,746 and \$100,253, respectively, equal to the required contributions for each year.

NOTE 10 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Board of Trustees annually adopts a County Hospital budget following required public notice and hearings for all funds. The annual County Hospital budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Health Center 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 capital expenditures and debt service payments are recorded on the County Hospital budget basis.

**Keokuk County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 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>General</u> <u>funds</u>	<u>Budget</u> <u>basis</u> <u>adjustments</u>	<u>Budget</u> <u>basis</u>	<u>County</u> <u>Hospital</u> <u>Budget</u>
Amount to be raised by taxation	\$ 677,335	\$ 69,255	\$ 746,590	\$ 715,914
Other revenues/receipts	<u>3,471,050</u>	<u>—</u>	<u>3,471,050</u>	<u>3,629,445</u>
	4,148,385	69,255	4,217,640	4,345,359
Expenses/expenditures	<u>3,845,981</u>	<u>468,915</u>	<u>4,314,896</u>	<u>4,255,634</u>
Net	302,404	(399,660)	(97,256)	89,725
Balance, beginning	<u>1,778,277</u>	<u>—</u>	<u>1,778,277</u>	<u>1,862,078</u>
Balance, ending	<u>\$2,080,681</u>	<u>\$ (399,660)</u>	<u>\$1,681,021</u>	<u>\$1,951,803</u>

NOTE 11 RISK MANAGEMENT

The Health Center 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 Health Center 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.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Keokuk County Health Center
Sigourney, Iowa

Our report on our audits of the basic financial statements of Keokuk County Health Center 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 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
August 16, 2005

**Keokuk County Health Center
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 Health Center at end of year)	\$ 137,469	\$ 108,599	17.05%	15.55%
31 – 60 days	193,900	203,776	24.05	29.18
61 – 90 days	119,714	127,397	14.85	18.24
91 – 120 days	106,756	93,198	13.25	13.34
Over 120 days	<u>248,255</u>	<u>165,490</u>	<u>30.80</u>	<u>23.69</u>
Totals	<u>806,094</u>	<u>698,460</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	(110,000)	(40,000)		
Medicaid	20,000	20,000		
Other	20,000	10,000		
Uncollectibles	<u>80,000</u>	<u>60,000</u>		
Total allowances	<u>10,000</u>	<u>50,000</u>		
Totals	<u>\$ 796,094</u>	<u>\$ 648,460</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 9,354</u>	<u>\$ 8,647</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>85</u>	<u>75</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>
BALANCE , beginning	\$ 60,000	\$ 50,000		
ADD				
Provision for bad debts	184,165	174,700	5.39%	5.52%
Recoveries of accounts previously written off	<u>18,650</u>	<u>21,425</u>	.55	.68
	262,815	246,125		
DEDUCT				
Accounts written off	<u>182,815</u>	<u>186,125</u>	5.35	5.88
BALANCE , ending	<u>\$ 80,000</u>	<u>\$ 60,000</u>		

Keokuk County Health Center
PATIENT SERVICE REVENUE
Year ended June 30, 2005, with comparative totals for 2004

	2005			2004
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Adult and pediatric	\$ 82,005	\$ —	\$ 82,005	\$ 91,658
Skilled care	317,629	—	317,629	163,703
Intermediate care	<u>156,664</u>	<u>—</u>	<u>156,664</u>	<u>252,145</u>
	<u>556,298</u>	<u>—</u>	<u>556,298</u>	<u>507,506</u>
OTHER NURSING SERVICES				
Observation room	—	53,907	53,907	20,205
Emergency service	4,606	342,422	347,028	319,812
Special procedures	—	11,626	11,626	5,560
Central supply	41,977	11,322	53,299	54,586
Ambulance	3,810	739,581	743,391	808,732
Hospice	<u>21,230</u>	<u>—</u>	<u>21,230</u>	<u>6,648</u>
	<u>71,623</u>	<u>1,158,858</u>	<u>1,230,481</u>	<u>1,215,543</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	52,155	561,812	613,967	569,993
Radiology	14,403	243,007	257,410	197,782
Electrocardiology	4,514	30,233	34,747	27,995
Pharmacy	53,402	127,934	181,336	151,446
Occupational therapy	53,736	26,229	79,965	31,031
Speech therapy	5,043	15,825	20,868	15,434
Physical therapy	62,312	301,916	364,228	250,970
Cardiac rehabilitation	<u>—</u>	<u>12,496</u>	<u>12,496</u>	<u>31,512</u>
	<u>245,565</u>	<u>1,319,452</u>	<u>1,565,017</u>	<u>1,276,163</u>
Total gross patient service revenue	<u>\$ 873,486</u>	<u>\$2,478,310</u>	3,351,796	2,999,212
Provisions for contractual adjustments and bad debts			<u>62,263</u>	<u>165,689</u>
Total net patient service revenue			<u>\$3,414,059</u>	<u>\$3,164,901</u>

Keokuk County Health Center
PROVISIONS FOR CONTRACTUAL ADJUSTMENTS AND BAD DEBTS

	Year ended June 30	
	2005	2004
Contractual adjustments		
Medicare	\$ (440,453)	\$ (563,504)
Medicaid	(821)	106,504
Other adjustments	194,846	116,611
Provision for bad debts	184,165	174,700
Totals	\$ (62,263)	\$ (165,689)

OTHER REVENUE

	Year ended June 30	
	2005	2004
Rental income		
Medical clinic	\$ 30,876	\$ 30,876
Other	4,740	4,110
Miscellaneous	32,903	32,366
Totals	\$ 68,519	\$ 67,352

Keokuk County Health Center
EXPENSES
Year ended June 30, 2005, with comparative totals for 2004

	2005			2004
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	\$ 101,726	\$ 188	\$ 101,914	\$ 109,871
Adult and pediatric	587,075	103,247	690,322	715,780
Emergency service	144,308	257,944	402,252	330,259
Special procedures	1,294	2,166	3,460	1,289
Central supply	18,658	414	19,072	37,199
Ambulance	<u>229,175</u>	<u>80,383</u>	<u>309,558</u>	<u>419,537</u>
Total nursing service	<u>1,082,236</u>	<u>444,342</u>	<u>1,526,578</u>	<u>1,613,935</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	105,561	131,277	236,838	212,282
Radiology	60,483	43,118	103,601	111,413
Electrocardiology	-	8,945	8,945	5,865
Pharmacy	4,782	158,732	163,514	138,652
Occupational therapy	-	40,864	40,864	22,291
Speech therapy	-	11,625	11,625	10,233
Physical therapy	-	192,496	192,496	164,738
Cardiac rehabilitation	16,479	10,046	26,525	32,141
Medical records	<u>75,113</u>	<u>2,967</u>	<u>78,080</u>	<u>80,293</u>
Total other professional service	<u>262,418</u>	<u>600,070</u>	<u>862,488</u>	<u>777,908</u>
GENERAL SERVICE				
Dietary	110,583	38,914	149,497	169,543
Plant operation	40,905	121,580	162,485	164,686
Housekeeping	36,703	9,845	46,548	62,447
Laundry	<u>32,036</u>	<u>2,946</u>	<u>34,982</u>	<u>42,378</u>
Total general service	<u>220,227</u>	<u>173,285</u>	<u>393,512</u>	<u>439,054</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Administration and business office	272,432	207,017	479,449	478,171
Clinic	-	5,198	5,198	2,301
FICA	-	125,990	125,990	132,961
IPERS	-	105,370	105,370	109,746
Group health and life insurance	-	110,156	110,156	77,595
Unemployment claims	-	-	-	5,657
Insurance	<u>-</u>	<u>78,518</u>	<u>78,518</u>	<u>70,235</u>
Total fiscal and administrative service and unassigned expenses	<u>272,432</u>	<u>632,249</u>	<u>904,681</u>	<u>876,666</u>
PROVISION FOR DEPRECIATION				
	<u>-</u>	<u>158,722</u>	<u>158,722</u>	<u>164,120</u>
Total expenses	<u>\$1,837,313</u>	<u>\$2,008,668</u>	<u>\$3,845,981</u>	<u>\$3,871,683</u>

**Keokuk County Health Center
COMPARATIVE STATISTICS**

	Year ended June 30	
	2005	2004
PATIENT DAYS		
Adult and pediatric	143	164
Swing bed		
Skilled care	687	366
Intermediate care	<u>1,613</u>	<u>2,412</u>
Totals	<u>2,443</u>	<u>2,942</u>
DISCHARGES		
Adult and pediatric	44	45
Swing bed		
Skilled care	50	30
Intermediate care	<u>35</u>	<u>31</u>
Totals	<u>129</u>	<u>106</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.25	3.64
Swing bed		
Skilled care	13.74	12.20
Intermediate care	46.09	77.81

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
Keokuk County Health Center
Sigourney, Iowa

We have audited the financial statements of Keokuk County Health Center as of and for the year ended June 30, 2005, and have issued our report thereon dated August 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 Health Center'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 the 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 the Health Center'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*. However, we noted a certain immaterial instance of noncompliance that is described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the Health Center'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 Health Center. 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 Keokuk County and other parties to whom the Health Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 16, 2005

**Keokuk County Health Center
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.

**Keokuk County Health Center
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 COUNTY HOSPITAL BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Health Center exceeded its County Hospital budget for the year ended June 30, 2005.

Recommendation

Should this occur in the future, we recommend the budget be amended using the statutorily-prescribed procedures.

Response

In the future the Health Center will monitor the budget and, if appropriate, seek amendment.

Conclusion

Response accepted.

05-II-C QUESTIONABLE EXPENDITURES

No questionable expenditures of Health Center funds were noted.

05-II-D TRAVEL EXPENSES

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

05-II-E BUSINESS TRANSACTIONS

No business transactions were found between the Health Center and Health Center 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 Health Center's investment policy.