

# **Mitchell County Regional Health Center**

# MITCHELL COUNTY REGIONAL HEALTH CENTER

## Table of Contents

---

	<u>Page</u>
<b>BOARD OF TRUSTEES AND HEALTH CENTER OFFICIALS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Balance Sheets	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statements of Cash Flows	12
Notes to Financial Statements	14
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual (Cash Basis)	28
Note to Required Supplementary Information – Budgetary reporting	28
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditor's Report on Supplementary Information Schedules	29
Net Patient Service Revenue	30
Adjustments to Patient Service Revenue and Other Revenues	31
Operating Expenses	32
Patient Receivables and Allowance for Doubtful Accounts	35
Supplies and Prepaid Expenses	36
Comparative Statistics (Unaudited)	37
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	38
<b>SCHEDULE OF FINDINGS</b>	40

**MITCHELL COUNTY REGIONAL HEALTH CENTER  
BOARD OF TRUSTEES AND HEALTH CENTER OFFICIALS  
JUNE 30, 2006 AND 2005**

---

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Lessard	Chair	November 30, 2010
Chuck Laures	Vice Chair	November 30, 2008
Keith Eastman	Secretary	November 30, 2006
Jan Moody	Treasurer	November 30, 2006
Pat Rourick	Member	November 30, 2006
Don Hendrickson	Member	November 30, 2008
Jean Brumm	Member	November 30, 2010

Health Center Officials

Sylvia Getman	Chief Executive Officer
Edward Riley	Chief Financial Officer and Director of Support Services



CPAs & BUSINESS ADVISORS

---

## INDEPENDENT AUDITOR'S REPORT

---

The Board of Trustees  
**Mitchell County Regional Health Center**  
Osage, Iowa

We have audited the accompanying financial statements of **Mitchell County Regional Health Center** for the year ended June 30, 2006, as listed in the table of contents. 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 audit. The financial statements of **Mitchell County Regional Health Center** for the year ended June 30, 2005, were audited by other auditors whose report dated September 22, 2005, expressed an unqualified opinion on those financial statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of **Mitchell County Regional Health Center**, as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As indicated in **Mitchell County Regional Health Center's** Summary of Significant Accounting Policies in Note 1 to the financial statements, management has elected to report interest expense as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets. *Governmental Auditing Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* does not establish a definition of operating revenues and expenses versus nonoperating revenues and expenses. Rather, governments are required to establish their own policy defining operating revenues and expenses and apply the policy consistently. The common practice for governmental health care entities is to include interest expense in nonoperating revenues and expenses.

PEOPLE. PRINCIPLES. POSSIBILITIES.

[www.eidebailly.com](http://www.eidebailly.com)

5601 Green Valley Dr., Ste. 700 ■ Minneapolis, Minnesota 55437-1145 ■ Phone 952.944.6166 ■ Fax 952.944.8496 ■ EOE

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006, on our consideration of **Mitchell County Regional Health Center'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.

Management's Discussion and Analysis on pages 4 through 9 and the Budgetary Comparison Schedules on page 28 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the printed text of the firm's name and location.

Minneapolis, Minnesota  
September 21, 2006

**MITCHELL COUNTY REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005**

---

This section of the Mitchell County Regional Health Center (Health Center) annual audited financial report represents management's discussion and analysis of Mitchell County Regional Health Center's financial performance during the fiscal year ended June 30, 2006. The analysis will focus on Mitchell County Regional Health Center's financial performance as a whole. Please read it in conjunction with the audited financial report.

**Using This Annual Report**

The June 30, 2006 and 2005 Independent Auditors' Report includes audited financial statements that include:

- Balance Sheets
- Statements of Revenues, Expenses, and Changes in Net Assets
- Statements of Cash Flows
- Notes to Financial Statements

**Financial Highlights**

- The Hospital's total assets increased by \$1,263,559 or 8.8% in 2006 and increased by \$498,745 or 3.6% in 2005.
- The Hospital's net assets increased in each of the last two years with a \$933,183 or 9.8% increase in 2006 and a \$769,623 or 8.7% increase in 2005.

**The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets**

These financial statements report information about Mitchell County Regional Health Center using Governmental Accounting Standards Board (GASB) accounting principles. The balance sheet is a statement of financial position. It includes all of the Health Center's assets and liabilities and provides information about the amounts of investments in resources (assets) and the obligations to Health Center creditors (liabilities). Revenue and Expense are reflected for the current and previous year on the Statements of Revenues, Expenses, and Changes in Net Assets. This statement shows the results of the Health Center's operations. The last financial statement is the Statement of Cash Flow. The cash flow essentially reflects the movement of money in and out of the Health Center that determines the Health Center's solvency. It is divided into cash flows (in or out) from operating, noncapital financing, capital and related financing, and investing activities.

Also supporting, supplementary information to the above statements is provided in:

- Schedules of Net Patient Service Revenue
- Schedules of Adjustments to Net Patient Service Revenues and Other Revenue
- Schedule of Operating Expenses
- Schedules of Patient Receivables and Allowance for Doubtful Accounts
- Schedule of Supplies
- Schedule of Prepaid Expenses
- Comparative Statistics

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – page 2**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**Financial Analysis of the Health Center**

The information from the Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows have been summarized in the following tables. Tables 1 and 2 report on the net assets of the Health Center and the changes in them. Increases or decreases in net assets are one indicator of whether or not the Health Center's financial health is improving. Other non-financial factors can also have an effect on the Health Center's financial position. These can include such things as changes in Medicare and Medicaid regulations and reimbursement, changes with other third party payers, as well as, changes in the economic environment of Mitchell County Regional Health Center and the surrounding areas.

**Table 1: Assets, Liabilities, and Net Assets**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>ASSETS:</b>			
Current assets	\$ 4,896,411	\$ 5,376,794	\$ 4,891,536
Noncurrent cash and Investments	1,021,421	834,688	648,176
Capital assets, net	9,611,297	7,858,393	7,717,082
Other assets	42,047	237,742	552,078
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 15,571,176</u>	<u>\$ 14,307,617</u>	<u>\$ 13,808,872</u>
<b>LIABILITIES:</b>			
Total current liabilities	\$ 1,941,435	\$ 1,713,221	\$ 1,801,369
Long-term debt (less current maturities)	3,128,925	3,026,763	3,164,351
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>\$ 5,070,360</u>	<u>\$ 4,739,984</u>	<u>\$ 4,965,720</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 6,253,790	\$ 4,644,498	\$ 4,348,257
Restricted under master affiliation			
Agreement with MMC-NI	153,303	208,576	332,164
Restricted under debt agreement	65,000	65,000	65,000
Unrestricted	4,028,723	4,649,559	4,097,731
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>10,500,816</u>	<u>9,567,633</u>	<u>8,843,152</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 15,571,176</u>	<u>\$ 14,307,617</u>	<u>\$ 13,808,872</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – page 3**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

Table 2 summarizes information from the Statements of Revenues, Expenses, and Changes in Net Assets.

**Table 2: Statement of Revenues, Expenses, and Changes in Net Assets**

	2006	2005	2004
Net patient service revenue	\$ 12,929,744	\$ 11,758,519	\$ 11,550,430
Other revenues	388,298	322,519	298,851
<b>Total revenues</b>	<b>13,318,042</b>	<b>12,081,038</b>	<b>11,849,281</b>
Operating expenses			
Salaries and wages	3,964,693	3,636,497	3,404,755
Employee benefits	1,125,969	1,007,560	856,605
Professional fees	2,930,747	2,963,733	2,939,910
Utilities	287,570	223,194	209,438
Management, legal, and accounting fees	437,958	410,788	343,864
Insurance	72,735	85,705	77,170
Supplies and miscellaneous	3,755,417	3,191,500	3,066,380
Depreciation	678,578	628,107	653,085
Interest and amortization	174,920	181,131	192,818
<b>Total operating expenses</b>	<b>13,428,587</b>	<b>12,328,215</b>	<b>11,744,025</b>
Operating income (loss)	(110,545)	(247,177)	105,256
Mercy Medical Center share of loss or income	55,273	123,588	(52,628)
Nonoperating revenues			
Tax revenue	483,641	491,165	399,804
Unrestricted contributions	-	-	78
<b>Nonoperating revenues</b>	<b>483,641</b>	<b>491,165</b>	<b>399,882</b>
Excess of revenues over expenses before capital grants and contributions	428,369	367,576	452,510
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>504,814</b>	<b>356,905</b>	<b>1,301</b>
<b>INCREASE IN NET ASSETS</b>	<b>933,183</b>	<b>724,481</b>	<b>453,811</b>
NET ASSETS, BEGINNING OF YEAR	9,567,633	8,843,152	8,389,341
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,500,816</b>	<b>\$ 9,567,633</b>	<b>\$ 8,843,152</b>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – page 4**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

Net patient service revenue made up 97.1% in 2006 and 97.3 % in 2005 of the Mitchell County Regional Health Center's total operating revenue. To arrive at net patient service revenue contractual adjustments have been made to gross patient service revenue due to agreements with third party payors. Table 3 below shows the contractual adjustments that were recognized:

**Table 3: Net Patient Service Revenue and Contractual Adjustments**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total patient service revenue	\$ 16,595,414	\$ 15,466,025	\$ 15,260,169
Contractual adjustments and provision for bad debts	<u>(3,665,670)</u>	<u>(3,707,506)</u>	<u>(3,709,739)</u>
Net patient service revenue	<u>\$ 12,929,744</u>	<u>\$ 11,758,519</u>	<u>\$ 11,550,430</u>
Contractual adjustments and provision for bad debts as a percent of revenues	<u>22.09%</u>	<u>23.97%</u>	<u>24.31%</u>

Total operating expenses increased \$1,100,372 or 8.9% in 2006 and increased \$584,190 or 5.0% in 2005. In 2006 there was a significant increase in Salaries and Wages Expense by 9.0%. This is due primarily to the addition of 7 FTE's comprised of less dependence on agency services, additional help in Plant Ops, Medical Records and Patient Financial Services. Employee benefits also had a corresponding increase in relation to salaries and wages. Supplies and miscellaneous expenses ended with an increase of 17.7% which involved costs in preparation of having the new general surgeon starting in July 2006, facility improvements in various departments, addition of nuclear medicine services and increased volumes in imaging services.

Other Revenues increased by \$65,779 or 20.4% in 2006. Major areas of this increase involves the cafeteria and vending machines (\$19,963), Grant income (\$15,955) and interest income (\$18,160).

**Table 4: Other Revenues**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cafeteria	\$ 79,866	\$ 63,064	\$ 91,321
Vending machine	15,132	11,971	12,565
Rental	21,209	20,010	24,218
Medical records transcription fees	819	694	617
Interest income	64,669	46,509	23,915
Grant income	69,126	53,171	20,493
Miscellaneous	<u>137,477</u>	<u>127,100</u>	<u>125,722</u>
Total other revenues	<u>\$ 388,298</u>	<u>\$ 322,519</u>	<u>\$ 298,851</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – page 5**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**Hospital Statistical Data**

Table 5 shows the Health Center's statistical data. In comparison, there is a direct correlation between utilization changes and revenue changes.

**Table 5: Statistical Data**

	2006	2005	2004
<b>Patient days</b>			
Acute	1,630	1,509	1,822
Swing beds	417	393	307
Newborn	9	30	108
Total	<u>2,056</u>	<u>1,932</u>	<u>2,237</u>
<b>Admissions</b>			
Acute	534	552	596
Swing beds	57	61	42
Newborn	5	16	53
Total	<u>596</u>	<u>629</u>	<u>691</u>
<b>Discharges</b>			
Acute	535	552	591
Swing beds	57	61	43
Newborn	4	18	52
Total	<u>596</u>	<u>631</u>	<u>686</u>
<b>Average length of stay, acute</b>	<u>3.0</u>	<u>2.7</u>	<u>3.1</u>
<b>Average length of stay, swing beds</b>	<u>7.3</u>	<u>6.4</u>	<u>7.1</u>
<b>Beds</b>			
Acute and swing	25	25	25
<b>Occupancy percentage</b>			
Acute and swing, based on 25 beds	22.4%	20.8%	23.3%

**The Health Center's Cash Flows**

The Health Center's cash flows are consistent with the changes in operating income and financial performance, as discussed earlier.

**Capital Assets**

At June 30, 2006 the Health Center had \$9,611,297 invested in capital assets net of accumulated depreciation. In 2006, the Health Center expended \$2,431,482 to purchase new equipment, buildings and construction.

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – page 6**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**Long-Term Debt**

Table 6 shows a summary of the Health Center's long-term debt outstanding.

**Table 6: Long-Term Debt**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Hospital Refunding Note, Series 2002	\$ 3,042,112	\$ 3,196,534	3,338,341
Promissory notes	244,280	-	-
Notes payable	174,419	166,921	127,932
Obligations under capital leases	19,886	37,596	54,360
Deferred loss on bond refinancing	(132,220)	(142,014)	(151,808)
Note discount on promissory note	51,077	-	-
	<u>\$ 3,399,554</u>	<u>\$ 3,259,037</u>	<u>\$ 3,368,825</u>
Total long term debt	<u>\$ 3,399,554</u>	<u>\$ 3,259,037</u>	<u>\$ 3,368,825</u>

**Economic Factors**

The Economic trends in our community, as well as our population figures, have stayed relatively stable over the past years, and thus there has been little change in the economic profile of the community.

Agriculture plays an important role in our community's economics. The past year's yields will not have a huge impact on the economic situation of the community.

There appears, at this time, to be no sign of any new industries making a move to our community nor are there any indications of any businesses closing. With that, the economic outlook for our community should remain steady.

**Contacting the Health Center**

The financial report is designed to provide our citizens, customers, and creditors with a general overview of Mitchell County Regional Health Center's finances and to demonstrate the PHO's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Hospital Administration at Mitchell County Regional Health Center, 616 N. 8<sup>th</sup> Street, Osage Iowa 50461.

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**BALANCE SHEETS**  
**JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,408,712	\$ 2,259,951
Receivables		
Patient, less allowance for uncollectible amounts of \$775,000 in 2006 and \$763,000 in 2005	2,089,921	1,674,211
Other	13,267	13,396
Current portion of pledges receivable	138,800	138,800
Estimated third-party payor settlements	425,130	489,483
Succeeding year property tax receivable	512,032	509,071
Supplies	244,191	246,429
Prepaid expenses	64,358	45,453
	<u>4,896,411</u>	<u>5,376,794</u>
<b>ASSETS LIMITED AS TO USE OR RESTRICTED</b>		
Internally designated for capital expenditures	803,118	561,112
Restricted under bond agreement for sinking fund	65,000	65,000
Restricted by master affiliation agreement with MMC-NI	153,303	208,576
	<u>1,021,421</u>	<u>834,688</u>
<b>CAPITAL ASSETS</b>		
Land and construction in progress, not being depreciated	1,002,127	670,308
Other capital assets being depreciated	16,651,281	14,700,357
Less accumulated depreciation	<u>(8,042,111)</u>	<u>(7,512,272)</u>
	<u>9,611,297</u>	<u>7,858,393</u>
<b>OTHER ASSETS</b>		
Pledges receivable, net of current portion	-	192,600
Debt issue costs, net of accumulated amortization of \$10,577 in 2006 and \$7,482 in 2005	42,047	45,142
	<u>42,047</u>	<u>237,742</u>
<b>Total other assets</b>	<u>42,047</u>	<u>237,742</u>
<b>Total assets</b>	<u>\$ 15,571,176</u>	<u>\$ 14,307,617</u>

See Notes to Financial Statements

	<u>2006</u>	<u>2005</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 270,629	\$ 232,274
Accounts payable	711,089	452,454
Accounts payable-related party	121,498	197,429
Accrued expenses		
Salaries and wages	63,068	42,013
Paid leave	241,589	224,703
Interest	11,661	12,774
Payroll taxes and employee benefits	9,869	42,503
Deferred revenue for succeeding year property tax receivable	512,032	509,071
	<u>1,941,435</u>	<u>1,713,221</u>
LONG-TERM DEBT, net of current maturities	<u>3,128,925</u>	<u>3,026,763</u>
Total liabilities	<u>5,070,360</u>	<u>4,739,984</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,253,790	4,644,498
Restricted		
By master affiliation agreement with MMC-NI	153,303	208,576
Under bond agreement for sinking fund	65,000	65,000
Unrestricted	4,028,723	4,649,559
	<u>10,500,816</u>	<u>9,567,633</u>
Total liabilities and net assets	<u>\$ 15,571,176</u>	<u>\$ 14,307,617</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Net patient service revenue (net provision for bad debts of \$372,073 in 2006 and \$420,459 in 2005)	\$ 12,929,744	\$ 11,758,519
Other revenues	388,298	322,519
Total operating revenues	<u>13,318,042</u>	<u>12,081,038</u>
OPERATING EXPENSES		
Salaries and wages	3,964,693	3,636,497
Employee benefits	1,125,969	1,007,560
Professional fees	2,930,747	2,963,733
Utilities	287,570	223,194
Management, legal, and accounting fees	437,958	410,788
Insurance	72,735	85,705
Supplies and miscellaneous	3,755,417	3,191,500
Depreciation	678,578	628,107
Interest and amortization	174,920	181,131
Total operating expenses	<u>13,428,587</u>	<u>12,328,215</u>
OPERATING LOSS BEFORE AFFILIATION AGREEMENT	(110,545)	(247,177)
AFFILIATION AGREEMENT REVENUE (NOTE 8)	<u>55,273</u>	<u>123,588</u>
LOSS FROM OPERATIONS	(55,272)	(123,589)
NONOPERATING REVENUES		
County tax apportionments	<u>483,641</u>	<u>491,165</u>
REVENUES IN EXCESS OF EXPENSES	428,369	367,576
Capital contributions and grants	<u>504,814</u>	<u>356,905</u>
INCREASE IN NET ASSETS	933,183	724,481
NET ASSETS, BEGINNING OF YEAR	<u>9,567,633</u>	<u>8,843,152</u>
NET ASSETS, END OF YEAR	<u>\$ 10,500,816</u>	<u>\$ 9,567,633</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Cash received from patient service revenues	\$ 12,578,387	\$ 11,502,356
Payments to employees	(3,960,499)	(4,744,042)
Payments of supplies and other expenses	(8,389,086)	(6,669,824)
Other receipts and payments, net	<u>388,427</u>	<u>282,622</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>617,229</u>	<u>371,112</u>
NONCAPITAL FINANCING ACTIVITIES		
Capital contributions and grants	504,814	356,905
County tax appropriations received	<u>483,641</u>	<u>491,165</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>988,455</u>	<u>848,070</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,431,482)	(769,420)
Proceeds from issuance of long-term debt	375,000	85,000
Principal payments on long-term debt	(244,277)	(204,582)
Payments received on pledges receivable	192,600	(331,400)
Interest payments on long-term debt	<u>(162,031)</u>	<u>(170,203)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,270,190)</u>	<u>(1,390,605)</u>
INVESTING ACTIVITIES		
Increase in assets limited as to use and restricted	<u>(186,733)</u>	<u>(186,512)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(186,733)</u>	<u>(186,512)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(851,239)	(357,935)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,259,951</u>	<u>2,617,886</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,408,712</u>	<u>\$ 2,259,951</u>

STATEMENTS OF CASH FLOWS – page 2

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from operations	\$ (55,272)	\$ (123,589)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Interest expense and amortization considered capital and related financing activity	174,920	181,131
Depreciation	678,578	628,107
Provision for bad debts	372,073	420,459
Changes in assets and liabilities		
Patient receivables	(787,783)	(334,514)
Estimated third-party payor settlements	64,353	(342,108)
Other receivables	129	1,430
Supplies	2,238	9,263
Prepaid expenses	(18,905)	50,148
Accounts payable	258,635	144,255
Accrued expenses	4,194	(99,985)
Accounts payable-related party	(75,931)	(163,485)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 617,229</u>	<u>\$ 371,112</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**

---

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Mitchell County Memorial Hospital d/b/a Mitchell County Regional Health Center (the Health Center) consists of a 25-bed acute care hospital located in Osage, Iowa. The Health Center is the county hospital of Mitchell County and is organized under Chapter 347 of the Code of Iowa. The Health Center provides health care services in accordance with a Master Affiliation Agreement discussed further in Note 8. Services are provided primarily to residents of Mitchell County and the surrounding area in northeastern Iowa, through hospital-based services in Osage, Iowa and physician clinic services in Osage, St. Ansgar, Stacyville, and Riceville, Iowa. The Health Center is exempt from income taxes as a political subdivision.

*Reporting Entity*

For financial reporting purposes, the Health Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. 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.

*Basis of Presentation*

The balance sheet displays the Health Center's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and debt issue costs and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, it is generally the Health Center's policy to use restricted resources first.

## NOTES TO FINANCIAL STATEMENTS

---

### *Basis of Accounting*

The Health Center reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Health Care Organizations* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

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

### *Use of Estimates*

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

### *Cash and Cash Equivalents*

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

### *Patient Receivables*

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

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

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

## NOTES TO FINANCIAL STATEMENTS

---

### *Property Tax Receivable*

Property tax receivable is recognized on the levy or lien date, which is the date 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. 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*

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.

### *Supplies*

Supplies are stated at lower of average cost or market.

### *Capital Assets*

Land, buildings, and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Land, buildings, and equipment donated for Health Center operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation in the financial statements. The estimated useful lives of land, buildings, and equipment are as follows:

Land improvements	8-20 years
Buildings and leasehold improvements	5-56 years
Major movable equipment	3-25 years

### *Donated Assets*

Donated supplies, investments, and land, buildings, and equipment are recorded at fair value at date of donation, which then is treated as cost.

## NOTES TO FINANCIAL STATEMENTS

---

### *Pledges receivable*

Contributions are recognized at the date the promise is received. Contributions that are restricted by the donor are reported as other revenues if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets depending on the nature of the restrictions.

The Health Center uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis. No allowance has been recorded as of June 30, 2006 and 2005.

### *Debt issue costs*

Debt issue costs are amortized over the period the related debt is outstanding using the straight-line method.

### *Compensated Absences*

Health Center employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid leave is recorded as a current liability on the balance sheet and is included in accrued expenses. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006 and 2005.

### *Assets Limited as to Use or Restricted*

Assets limited as to use include assets which are board designated funds. Restricted funds are used to differentiate funds which are limited by the donor to specific uses from funds on which the donor places no restriction or which arise as a result of the operation of the Health Center for its stated purposes. Resources set aside for board designated purposes are not considered to be restricted.

### *Restricted Net Assets*

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

### *Operating Revenues and Expenses*

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

## NOTES TO FINANCIAL STATEMENTS

---

### *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.

### *Grants and Contributions*

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

### *Restricted Resources*

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

### *Charity Care*

To fulfill its mission of community service, the Health Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. 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.

### *Advertising Costs*

The Health Center expenses advertising costs as incurred.

### *County Tax Revenue*

Taxes are included in nonoperating revenues when received and distributed by the County Treasurer. No provision is made in the financial statements for taxes levied in the current year to be collected in a subsequent year.

### *Reclassifications*

Certain prior period amounts within the accompanying financial statements have been reclassified for comparability. The reclassifications have no effect on the previously reported net income or equity.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 2 - CHARITY CARE

The Health Center maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy during the years ended June 30, 2006 and 2005, was \$22,623 and \$29,645, respectively.

### NOTE 3 - 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

The Health Center is licensed as a Critical Access Hospital (CAH). The Health Center is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Health Center and are subject to audits thereof by the Medicare fiscal intermediary. The Health Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2004. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Health Center. Clinical services are reimbursed on a cost reimbursable basis or on a fixed fee schedule.

#### Medicaid

Inpatient and outpatient services rendered to Medicaid program 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 Medicaid fiscal intermediary. The Health Center's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2001.

#### Other Payors

The Health Center has also entered into 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.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Revenue from the Medicare and Medicaid programs accounted for approximately 58% and 5%, respectively, of the Health Center's net patient service revenue for the year ended 2006, and 59% and 5%, respectively, of the Health Center's net patient service revenue for the year ended 2005. Percentages are calculated utilizing Health Center's data.

## NOTES TO FINANCIAL STATEMENTS

A summary of patient service revenue, contractual adjustments, and provision for bad debts is as follows for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Total patient service revenue	<u>\$ 16,595,414</u>	<u>\$ 15,466,025</u>
Contractual adjustments		
Medicare	(1,974,059)	(1,942,733)
Medicaid	(223,282)	(259,548)
Other	<u>(1,096,256)</u>	<u>(1,084,766)</u>
Total contractual adjustments	<u>(3,293,597)</u>	<u>(3,287,047)</u>
Net patient service revenue	13,301,817	12,178,978
Provision for bad debts	<u>(372,073)</u>	<u>(420,459)</u>
Net patient service revenue (net of provision for bad debts)	<u>\$ 12,929,744</u>	<u>\$ 11,758,519</u>

### *Concentration of Credit Risk*

The Health Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2006 and 2005, was as follows:

	<u>2006</u>	<u>2005</u>
Medicare	36.0%	28.9%
Medicaid	4.4%	5.3%
Blue Cross	12.7%	14.0%
Other third-party payors and patients	<u>46.9%</u>	<u>51.8%</u>
	<u>100.0%</u>	<u>100.0%</u>

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 - DEPOSITS AND INVESTMENTS

The Health Center's deposits in banks at June 30, 2006 and 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 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 and the Treasurer of the State of Iowa; 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.

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The Health Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Health Center. Maturities are consistent with this policy.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - CAPITAL ASSETS

Summaries of capital assets at June 30, 2006 and 2005, are as follows:

	Balance June 30, 2005	Additions	Deductions	Transfers	Balance June 30, 2006
Cost					
Land	\$ 176,512	\$ 53,000	\$ -	\$ -	\$ 229,512
Land improvements	311,710	109,278	-	-	420,988
Buildings	9,767,718	1,597,211	-	-	11,364,929
Leasehold improvements	55,257	-	-	-	55,257
Major movable equipment	4,565,672	398,263	(153,828)	-	4,810,107
Construction in progress	493,796	1,936,385	-	(1,657,566)	772,615
Total	<u>15,370,665</u>	<u>4,094,137</u>	<u>(153,828)</u>	<u>(1,657,566)</u>	<u>17,653,408</u>
Accumulated depreciation					
Land improvements	168,963	3,873	-	-	172,836
Buildings	3,694,800	365,849	-	-	4,060,649
Leasehold improvements	51,702	959	-	-	52,661
Major movable equipment	3,596,807	307,897	(148,739)	-	3,755,965
Total	<u>7,512,272</u>	<u>678,578</u>	<u>(148,739)</u>	<u>-</u>	<u>8,042,111</u>
Capital assets, net	<u>\$ 7,858,393</u>	<u>\$ 3,415,559</u>	<u>\$ (5,089)</u>	<u>\$ (1,657,566)</u>	<u>\$ 9,611,297</u>

## NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2004	Additions	Deductions	Transfers	Balance June 30, 2005
Cost					
Land	\$ 106,999	\$ 69,513	\$ -	\$ -	\$ 176,512
Land improvements	311,711	-	-	-	311,711
Buildings	9,767,718	-	-	-	9,767,718
Leasehold improvements	55,257	-	-	-	55,257
Major movable equipment	4,399,351	226,117	(59,797)	-	4,565,671
Construction in progress	20,006	473,790	-	-	493,796
Total	<u>14,661,042</u>	<u>769,420</u>	<u>(59,797)</u>	<u>-</u>	<u>15,370,665</u>
Accumulated depreciation					
Land improvements	147,042	21,921	-	-	168,963
Buildings	3,380,614	314,186	-	-	3,694,800
Leasehold improvements	50,719	983	-	-	51,702
Major movable equipment	<u>3,365,587</u>	<u>291,017</u>	<u>(59,797)</u>	<u>-</u>	<u>3,596,807</u>
Total	<u>6,943,962</u>	<u>628,107</u>	<u>(59,797)</u>	<u>-</u>	<u>7,512,272</u>
Property and equipment, net	<u>\$ 7,717,080</u>	<u>\$ 141,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,858,393</u>

Construction in progress at June 30, 2006, consists of costs incurred for the new St. Ansgar Clinic, which will be completed in fiscal 2007.

NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - LONG-TERM DEBT**

A schedule of changes in long-term debt for 2006 and 2005, is as follows:

	Balance June 30, 2005	Additions	(Payments) Amortization	Balance June 30, 2006	Amounts Due Within One Year
Hospital Refunding Revenue					
Note, Series 2002	\$ 3,196,534	\$ -	\$ (154,422)	\$ 3,042,112	\$ 159,141
Promissory notes	-	248,923	(4,643)	244,280	20,572
Notes payable	166,921	75,000	(67,502)	174,419	73,109
Obligations under capital leases	37,596	-	(17,710)	19,886	17,807
	<u>3,401,051</u>	<u>323,923</u>	<u>(244,277)</u>	<u>3,480,697</u>	<u>270,629</u>
Deferred loss on bond refinancing	(142,014)	-	9,794	(132,220)	-
promissory note	-	51,077	-	51,077	-
	<u>-</u>	<u>51,077</u>	<u>-</u>	<u>51,077</u>	<u>-</u>
<b>Total long-term debt</b>	<b><u>\$ 3,259,037</u></b>	<b><u>\$ 375,000</u></b>	<b><u>\$ (234,483)</u></b>	<b><u>\$ 3,399,554</u></b>	<b><u>\$ 270,629</u></b>

	Balance June 30, 2004	Additions	(Payments) Amortization	Balance June 30, 2005	Amounts Due Within One Year
Hospital Refunding Revenue					
Note, Series 2002	\$ 3,338,341	\$ -	\$ (141,807)	\$ 3,196,534	\$ 154,483
Notes payable	127,932	85,000	(46,011)	166,921	60,039
Obligations under capital leases	54,360	-	(16,764)	37,596	17,752
	<u>3,520,633</u>	<u>85,000</u>	<u>(204,582)</u>	<u>3,401,051</u>	<u>232,274</u>
Deferred loss on bond refinancing	(151,808)	-	9,794	(142,014)	-
	<u>-</u>	<u>-</u>	<u>9,794</u>	<u>-</u>	<u>-</u>
<b>Total long-term debt</b>	<b><u>\$ 3,368,825</u></b>	<b><u>\$ 85,000</u></b>	<b><u>\$ (194,788)</u></b>	<b><u>\$ 3,259,037</u></b>	<b><u>\$ 232,274</u></b>

The Health Center is subject to certain covenants under the bond agreement including a requirement to maintain certain measures of financial performance and maintain a sinking fund account. The Health Center was in compliance with these covenants for the years ended June 30, 2006 and 2005.

## NOTES TO FINANCIAL STATEMENTS

---

### **Hospital Refunding Revenue Note, Series 2002:**

The Health Center entered into a note payable with First Citizens National Bank, Mason City, Iowa on February 1, 2003, in the amount of \$3,520,000. The purpose of the note payable was to refund the 1997 Hospital Revenue Bonds in order to reduce the overall effective interest rates on the outstanding bond obligation. Payments of principal and interest at 4.75% are payable monthly through February 2020. The note is collateralized by the patient revenues of the Health Center.

### **Notes Payable:**

The Health Center has entered into four notes for certain equipment. The first note, entered into during fiscal year 2002, is for ultrasound equipment and is for a term of five years and bears interest at a rate of 7%, with payments of principal and interest of \$1,434 due semi-monthly. The second note, also entered into during fiscal year 2002, is for mammography equipment and is for a period of five years and bears interest at a rate of 7%, with payments of principal and interest of \$592 due semi-monthly. The third note, entered into during fiscal year 2005, is for telemetry equipment and is for a term of five years and bears interest at a rate of 3.95%, with payments of principal and interest of \$1569 due monthly. The notes are collateralized by the patient revenues of the Health Center. The fourth note, entered into during the 2006 fiscal year, is due to MMC-NI (Note 8) and is for a cataract microscope with a term of five years and bears zero percent interest with payments of principal of \$1,250 due monthly.

### **Promissory Notes:**

The Health Center entered into two promissory notes with Heartland Power Cooperative, Thompson, Iowa on September 1, 2005, in the amounts of \$240,000 and \$60,000. These notes have been discounted using an imputed interest rate of 5%. The discount of \$51,077 is reported with long-term debt and will be amortized over the life of the related debt using the straight-line method. The purpose of the promissory notes were to build the new St. Ansgar Clinic in St. Ansgar, Iowa. The notes are due in annual installments of \$24,000 at zero percent interest and \$6,000 including interest at 2% through September 2015, respectively.

### **Obligations Under Capital Leases:**

The Health Center has entered into three capital leases for equipment. The first lease, entered into during fiscal year 2002, is for a copier and is for a period of five years and bears interest at a rate of 6.79%, with payments of principal and interest of \$182 due monthly. The second lease, also entered into during fiscal year 2002, is for an ambulance and is for a period of five years and bears interest at a rate of 5.19%, with payments of principal and interest of \$16,393 due annually. The third lease, entered into during fiscal year 2004, is for a copier and is for a period five years and bears interest at a rate of 7.4%, with payments of principal and interest of \$96 due monthly.

## NOTES TO FINANCIAL STATEMENTS

Aggregate future payments of principal and interest on the long-term debt obligations are as follows:

Year Ending June 30,	Long-term debt		Obligations Under Capital Lease	
	Principal	Interest	Principal	Interest
2007	\$ 252,822	\$ 157,269	\$ 17,807	\$ 1,016
2008	220,172	146,907	2,079	112
2009	230,228	136,732	-	-
2010	234,094	126,472	-	-
2011	225,396	116,251	-	-
2012-2016	1,249,550	413,178	-	-
2017-2020	1,048,549	100,939	-	-
	<u>\$ 3,460,811</u>	<u>\$ 1,197,748</u>	<u>\$ 19,886</u>	<u>\$ 1,128</u>

### NOTE 7 - PENSION AND RETIREMENT BENEFITS

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 for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by State statute. The Health Center's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004, were approximately \$226,300, \$205,500, and \$193,300, respectively, equal to the required contributions for each year.

### NOTE 8 - RELATED ORGANIZATIONS

#### *Master Affiliation Agreement*

The Health Center has a Master Affiliation Agreement with Mercy Medical Center – North Iowa (MMC-NI) to provide hospital, physician, and other health care services in Mitchell County and surrounding counties in northeastern Iowa. As a part of this Master Affiliation Agreement, the Health Center entered into a Professional Service Agreement with MMC-NI whereby MMC-NI provides professional medical services as well as staff employees in support of the physician medical services. Amounts paid to MMC-NI for the provision of these services amounted to \$2,561,289 and \$2,607,379 for the years ended June 30, 2006 and 2005, respectively.

Operating gains and losses from the operations of the Health Center and MMC-NI services are shared equally in accordance with the formulas outlined in the Master Affiliation Agreement. Total operating gains (losses) to be allocated to MMC-NI amounted to (\$55,273) and (\$123,588), respectively, for the years ended June 30, 2006 and 2005, for the various services and distributions related to these agreements.

## NOTES TO FINANCIAL STATEMENTS

---

### *Management Services*

The Health Center has a contractual arrangement with MMC-NI under which MMC-NI provides administrative staff, management consultation, and other services to the Health Center. The arrangement does not alter the authority or responsibility of the Board of Trustees of the Health Center. Expenses of the administrative and management services for the years ended June 30, 2006 and 2005, were \$380,780 and \$359,861, respectively.

### *Due to and from Affiliated Organization*

As of June 30, 2006 and 2005, the Health Center's records reflect an amount due to MMC-NI of \$121,498 and \$197,429, respectively, for the various services and distributions related to these agreements. At June 30, 2006, the Health Center also had a note payable of \$ 68,750 (Note 6) due to MMC-NI.

## NOTE 9 - COMMITMENTS AND CONTINGENCIES

### *Health Center 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. There has been no significant reduction in insurance coverage from the previous year in any of the Health Center's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

### *Malpractice Insurance*

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

### *Health Care Legislation and Regulation*

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes the Health Center is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulation is subject to government review and interpretation, as well as regulator actions unknown or unasserted at this time.

**MITCHELL COUNTY REGIONAL HEALTH CENTER  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS AND NOTES - BUDGET AND ACTUAL (CASH BASIS)  
 YEAR ENDED JUNE 30, 2006**

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budget	Variance Favorable (Unfavorable)
Estimated amount to be raised by taxation	\$ 483,641	\$ -	\$ 483,641	\$ 509,071	\$ (25,430)
Estimated other revenues/receipts	13,878,129	(911,315)	12,966,814	13,958,816	(992,002)
	<u>14,361,770</u>	<u>(911,315)</u>	<u>13,450,455</u>	<u>14,467,887</u>	<u>(1,017,432)</u>
Expenses/disbursements	13,428,587	(1,079,002)	12,349,585	13,751,617	(1,402,032)
Net	933,183	167,687	1,100,870	716,270	384,600
Balance beginning of year	9,567,633	(6,472,994)	3,094,639	4,636,517	(1,541,878)
Balance end of year	<u>\$ 10,500,816</u>	<u>\$ (6,305,307)</u>	<u>\$ 4,195,509</u>	<u>\$ 5,352,787</u>	<u>\$ (1,157,278)</u>

**NOTE 1**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences.

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



CPAs & BUSINESS ADVISORS

---

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

---

The Board of Trustees  
**Mitchell County Regional Health Center**  
Osage, Iowa

Our audit was performed for the purpose of forming an opinion on the 2006 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 except for the schedule of comparative statistics on page 40 marked "unaudited" has been subjected to the auditing procedures applied in the audit of the 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2005 supplementary information has been subjected to auditing procedures by other auditors applied in their audit of the 2005 basic financial statements and, in their opinion was fairly stated in relation to the 2005 basic financial statements taken as a whole.

*Eide Bailly LLP*

Minneapolis, Minnesota  
September 21, 2006

**PEOPLE. PRINCIPLES. POSSIBILITIES.**

[www.eidebailly.com](http://www.eidebailly.com)

5601 Green Valley Dr., Ste. 700 ■ Minneapolis, Minnesota 55437-1145 ■ Phone 952.944.6166 ■ Fax 952.944.8496 ■ EOE

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF NET PATIENT SERVICE REVENUE**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>TOTAL</b>	
	<u>2006</u>	<u>2005</u>
<b>PATIENT CARE SERVICES</b>		
Medical and surgical	\$ 1,192,283	\$ 1,062,375
Intensive care unit	488	4,168
Nursery	4,392	15,136
Swing-bed	116,553	101,100
	<u>1,313,716</u>	<u>1,182,779</u>
Total		
<b>OTHER PROFESSIONAL SERVICES</b>		
Operating room	441,883	554,345
Labor and delivery room	4,227	12,153
Anesthesiology	246,396	271,530
Radiology	2,842,197	2,413,612
Laboratory	1,984,265	1,713,702
Blood supplies	112,211	83,609
Respiratory therapy	18,125	14,998
Physical therapy	310,066	272,145
Speech therapy	34,912	31,547
Electrocardiography	525,178	494,816
Medical and surgical supplies	212,891	166,500
Pharmacy	1,157,809	1,107,412
Vascular laboratory	42,516	62,069
Audiology	148,040	78,568
Emergency room	1,682,429	1,693,704
Ambulance	406,123	422,452
Osage clinic	3,427,840	3,312,312
St. Ansgar clinic	1,451,492	1,340,802
Stacyville clinic	91,314	114,499
Riceville clinic	164,407	152,116
	<u>15,304,321</u>	<u>14,312,891</u>
Total		
Total	16,618,037	15,495,670
Charity care	<u>(22,623)</u>	<u>(29,645)</u>
Total patient service revenue	16,595,414	15,466,025
Adjustments to patient service revenue	<u>(3,665,670)</u>	<u>(3,707,506)</u>
<b>NET PATIENT SERVICE REVENUE</b>	<u><u>\$ 12,929,744</u></u>	<u><u>\$ 11,758,519</u></u>

INPATIENT		OUTPATIENT	
2006	2005	2006	2005
\$ 1,042,800	\$ 891,986	\$ 149,483	\$ 170,389
488	4,168	-	-
4,392	15,136	-	-
116,553	101,100	-	-
<b>1,164,233</b>	<b>1,012,390</b>	<b>149,483</b>	<b>170,389</b>
16,407	29,574	425,476	524,771
4,164	11,913	63	240
12,580	24,599	233,816	246,931
225,175	167,409	2,617,022	2,246,203
363,243	325,172	1,621,022	1,388,530
38,185	31,367	74,026	52,242
1,022	823	17,103	14,175
83,934	63,469	226,132	208,676
17,496	20,179	17,416	11,368
92,003	64,521	433,175	430,295
32,930	39,510	179,961	126,990
494,102	517,673	663,707	589,739
-	-	42,516	62,069
-	-	148,040	78,568
14,669	9,939	1,667,760	1,683,765
76,477	77,843	329,646	344,609
244,528	-	3,183,312	3,312,312
103,537	-	1,347,955	1,340,802
7,605	-	83,709	114,499
14,405	-	150,002	152,116
<b>1,842,462</b>	<b>1,383,991</b>	<b>13,461,859</b>	<b>12,928,900</b>
<b>\$ 3,006,695</b>	<b>\$ 2,396,381</b>	<b>\$ 13,611,342</b>	<b>\$ 13,099,289</b>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF ADJUSTMENTS TO PATIENT SERVICE REVENUE AND OTHER REVENUES**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
ADJUSTMENTS TO PATIENT SERVICE REVENUE		
Contractual adjustments - Medicare	\$ 1,974,059	\$ 1,942,733
Contractual adjustments - Medicaid	223,282	259,548
Provision for bad debts	372,073	420,459
Other allowances and adjustments	<u>1,096,256</u>	<u>1,084,766</u>
<b>TOTAL ADJUSTMENTS</b>	<u><u>\$ 3,665,670</u></u>	<u><u>\$ 3,707,506</u></u>
	<u>2006</u>	<u>2005</u>
OTHER REVENUES		
Cafeteria	\$ 79,866	\$ 63,064
Vending machines	15,132	11,971
Rental	21,209	20,010
Medical records transcription fees	819	694
Interest income	64,669	46,509
Grant income	69,126	53,171
Miscellaneous	<u>137,477</u>	<u>127,100</u>
<b>TOTAL OTHER REVENUES</b>	<u><u>\$ 388,298</u></u>	<u><u>\$ 322,519</u></u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
<b>NURSING ADMINISTRATION</b>		
Salaries and wages	\$ 47,018	\$ 67,069
Other	6,341	10,071
	<u>53,359</u>	<u>77,140</u>
<b>OPERATING AND RECOVERY ROOMS</b>		
Salaries and wages	131,143	122,068
Other	116,460	149,606
	<u>247,603</u>	<u>271,674</u>
<b>EMERGENCY SERVICES</b>		
Salaries and wages	192,150	164,815
Other	383,192	360,124
	<u>575,342</u>	<u>524,939</u>
<b>AMBULANCE</b>		
Salaries and wages	122,506	116,117
Other	32,937	26,515
	<u>155,443</u>	<u>142,632</u>
<b>RESPIRATORY THERAPY</b>		
Salaries and wages	883	589
Other	309	274
	<u>1,192</u>	<u>863</u>
<b>LABORATORY</b>		
Salaries and wages	317,909	318,273
Other	370,539	370,274
	<u>688,448</u>	<u>688,547</u>
<b>RADIOLOGY</b>		
Salaries and wages	17,861	16,901
Other	882,536	746,184
	<u>900,397</u>	<u>763,085</u>
<b>PHARMACY</b>		
Salaries and wages	13,888	12,512
Other	382,548	347,664
	<u>396,436</u>	<u>360,176</u>
<b>ANESTHESIOLOGY</b>		
Other	300,055	279,767
<b>PHYSICAL THERAPY</b>		
Other	184,698	173,983
<b>CARDIAC REHABILITATION</b>		
Salaries and wages	29,809	35,355
Other	2,771	2,551
	<u>32,580</u>	<u>37,906</u>
<b>SPEECH PATHOLOGY</b>		
Other	27,868	30,415

SCHEDULES OF OPERATING EXPENSES – page 2

	2006	2005
MEDICAL RECORDS		
Salaries and wages	\$ 200,018	\$ 180,631
Other	45,765	22,231
	<u>245,783</u>	<u>202,862</u>
DIETARY		
Salaries and wages	145,682	144,430
Other	77,995	68,174
	<u>223,677</u>	<u>212,604</u>
OPERATION OF PLANT		
Salaries and wages	139,904	87,102
Other	368,165	257,038
	<u>508,069</u>	<u>344,140</u>
HOUSEKEEPING		
Salaries and wages	110,241	104,429
Other	31,653	28,467
	<u>141,894</u>	<u>132,896</u>
LAUNDRY		
Salaries and wages	21,355	10,671
Other	26,858	25,358
	<u>48,213</u>	<u>36,029</u>
SLEEP LAB		
Salaries and wages	4,064	2,531
Other	25,281	24,209
	<u>29,345</u>	<u>26,740</u>
ADULTS AND PEDIATRICS		
Salaries and wages	964,116	919,242
Other	59,270	67,200
	<u>1,023,386</u>	<u>986,442</u>
BLOOD		
Salaries and wages	4,627	4,145
Other	86,714	64,496
	<u>91,341</u>	<u>68,641</u>
ELECTROCARDIOGRAPHY		
Other	112,604	128,357
CORONARY CARE UNIT		
Other	228	1,488
MEDICAL SUPPLIES		
Salaries and wages	12,267	11,219
Other	89,872	60,795
	<u>102,139</u>	<u>72,014</u>

(continued on next page)

SCHEDULES OF OPERATING EXPENSES – page 3

	<u>2006</u>	<u>2005</u>
OSAGE CLINIC		
Salaries and wages	\$ 475,995	\$ 418,943
Other	1,851,391	1,821,276
	<u>2,327,386</u>	<u>2,240,219</u>
ST. ANSGAR CLINIC		
Salaries and wages	305,837	296,276
Other	815,446	663,628
	<u>1,121,283</u>	<u>959,904</u>
STACYVILLE CLINIC		
Salaries and wages	25,461	25,429
Other	57,453	63,636
	<u>82,914</u>	<u>89,065</u>
RICEVILLE CLINIC		
Salaries and wages	60,677	51,829
Other	78,793	67,008
	<u>139,470</u>	<u>118,837</u>
ADMINISTRATIVE SERVICES		
Salaries and wages	621,282	525,921
Other	1,066,685	1,014,131
	<u>1,687,967</u>	<u>1,540,052</u>
UNASSIGNED EXPENSES		
Depreciation	678,578	628,107
Interest and amortization	174,920	181,131
Employee benefits	1,125,969	1,007,560
	<u>1,979,467</u>	<u>1,816,798</u>
TOTAL OPERATING EXPENSES	<u>\$ 13,428,587</u>	<u>\$ 12,328,215</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF PATIENT RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**  
**JUNE 30, 2006 AND 2005**

**ANALYSIS OF AGING**

Age of Accounts	2006		2005	
	Amount	Percent to Total	Amount	Percent to Total
30 days or less	\$ 1,485,255	51.84%	\$ 1,302,590	53.45%
31 to 90 days	710,637	24.80%	452,393	18.57%
91 to 180 days	306,977	10.71%	269,782	11.07%
181 days and over	362,481	12.65%	412,034	16.91%
	<u>2,865,350</u>	<u>100.00%</u>	<u>2,436,799</u>	<u>100.00%</u>
Less: Allowance for doubtful accounts	(318,649)		(368,176)	
Allowance for contractual adjustments	(456,780)		(394,412)	
Net	<u>\$ 2,089,921</u>		<u>\$ 1,674,211</u>	
Net patient service revenue per calendar day-excluding bad debt	<u>\$ 35,424</u>		<u>\$ 32,215</u>	
Days of net revenue in net accounts receivable at year end	<u>59</u>		<u>52</u>	

**ANALYSIS OF ALLOWANCE FOR DOUBTFUL ACCOUNTS**

	2006		2005	
	Amount	Percent of Net Patient Service Revenue	Amount	Percent of Net Patient Service Revenue
Beginning balance	\$ 368,100	2.85%	\$ 342,400	2.91%
Add:				
Provision for bad debts	296,638	2.29%	420,459	3.58%
Recoveries previously written off	-		122,452	1.04%
	<u>296,638</u>		<u>542,911</u>	
Less:				
Accounts written off	(346,089)	-2.68%	(517,211)	-4.40%
Ending balance	<u>\$ 318,649</u>	<u>2.46%</u>	<u>\$ 368,100</u>	<u>3.13%</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF SUPPLIES AND PREPAID EXPENSES**  
**JUNE 30, 2006 AND 2005**

---

	<u>2006</u>	<u>2005</u>
SUPPLIES		
Central stores and central supply	\$ 197,214	\$ 198,604
Pharmacy	<u>46,977</u>	<u>47,825</u>
Total supplies	<u>\$ 244,191</u>	<u>\$ 246,429</u>
PREPAID EXPENSES		
Insurance	\$ 17,721	\$ 9,888
Other	<u>46,637</u>	<u>35,565</u>
Total prepaid expenses	<u>\$ 64,358</u>	<u>\$ 45,453</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULES OF COMPARATIVE STATISTICS**  
**YEARS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)**

	<u>2006</u>	<u>2005</u>
<b>PATIENT DAYS</b>		
Acute	1,630	1,509
Swingbed	417	393
Newborn	9	30
	<u>2,056</u>	<u>1,932</u>
<b>ADMISSIONS</b>		
Acute	534	552
Swingbed	57	61
Newborn	5	16
	<u>596</u>	<u>629</u>
<b>DISCHARGES</b>		
Acute	535	552
Swingbed	57	61
Newborn	4	18
	<u>596</u>	<u>631</u>
<b>AVERAGE LENGTH OF STAY</b>		
Acute	<u>3.0</u>	<u>2.7</u>
Swingbed	<u>7.3</u>	<u>6.4</u>
<b>LICENSED BEDS</b>		
	<u>25</u>	<u>25</u>



CPAs & BUSINESS ADVISORS

**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**

---

The Board of Trustees  
**Mitchell County Regional Health Center**  
Osage, Iowa

We have audited the accompanying balance sheet of **Mitchell County Regional Health Center**, as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended and have issued our report thereon dated September 21, 2006. 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 internal control over financial reporting of **Mitchell County Regional Health Center**, 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 over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of **Mitchell County Regional Health Center** 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*.

**PEOPLE. PRINCIPLES. POSSIBILITIES.**

[www.eidebailly.com](http://www.eidebailly.com)

5601 Green Valley Dr., Ste. 700 ■ Minneapolis, Minnesota 55437-1145 ■ Phone 952.944.6166 ■ Fax 952.944.8496 ■ EOE

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2006, 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.

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

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Minneapolis, Minnesota  
September 21, 2006

**MITCHELL COUNTY REGIONAL HEALTH CENTER**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2006**

---

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

NONE

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-06     Official Depositories – A resolution of official depository banks has been approved by the governing board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.
- II-B-06     Certified Budget – Health Center disbursements during the year ended June 30, 2006, did not exceed amounts budgeted.
- II-C-06     Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-06     Travel Expense – No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted.
- II-E-06     Business Transactions – We noted no material business transactions between the Health Center and Health Center officials and/or employees.
- II-F-06     Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-06     Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Health Center’s investment policy were noted.
- II-H-06     Publication of Bills Allowed and Salaries – Chapter 347.13(15) of the Code of Iowa states “There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...” The Health Center did publish a schedule of bills allowed and a schedule of salaries paid as required by the Code of Iowa.