

**Crawford County Memorial Hospital
Denison, Iowa**

FINANCIAL REPORT

June 30, 2007

CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
 FINANCIAL STATEMENTS	
Balance sheets	10-11
Statements of revenues, expenses, and changes in fund equity	12
Statements of cash flows	13-14
Notes to financial statements	15-22
 INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	 23
 SUPPLEMENTARY INFORMATION	
Analysis of patient receivables	24
Analysis of allowance for bad debts	24
Patient service revenue	25
Provisions for contractual adjustments and bad debts	26
Other revenue	26
Expenses	27-28
Comparative statistics	29
 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 <i>GOVERNMENT AUDITING STANDARDS</i>	 30-31
 SCHEDULE OF FINDINGS	 32-33

**Crawford County Memorial Hospital
OFFICIALS
June 30, 2007**

BOARD OF TRUSTEES

Expiration of term

Officers

Steve Vary, President

December 31, 2008

Allen Nepper, Vice President

December 31, 2010

LaVerne Ambrose, Secretary

December 31, 2010

Marsha Losh, Treasurer

December 31, 2008

Members

Nyle Gruhn

December 31, 2008

Marla Raasch

December 31, 2012

Vanessa Zimmer

December 31, 2012

CHIEF EXECUTIVE OFFICER

Mark Rinehardt

CHIEF FINANCIAL OFFICER

Larry Brown

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the accompanying balance sheets of Crawford County Memorial Hospital as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crawford County Memorial Hospital as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2007 on our consideration of Crawford County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 5-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 13, 2007

Crawford County Memorial Hospital MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Crawford County Memorial Hospital, we offer readers of the financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the Hospital's financial statements, which follow this section.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Highlights

- Total assets increased by \$2,157,336 or 13% to \$19,077,403
- Total assets whose use is limited increased by \$1,868,250 to \$7,250,590
- Total property and equipment decreased by \$144,023 to \$6,539,285
- Total fund equity increased by \$2,324,822 to \$15,740,256
- Total long-term debt decreased by \$262,434 to \$1,051,164
- Net patient service revenue increased by \$1,746,151, or 12%, due to continuing increased reimbursement under Critical Access Hospital status
- Expenses increased by \$985,292, or 7%

Financial Analysis of the Hospital

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

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

Table 1
Condensed Balance Sheets

	June 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 4,687,528	\$ 4,294,419	\$ 4,285,308
Assets whose use is limited	7,250,590	5,382,340	3,510,591
Property and equipment	6,539,285	6,683,308	6,901,803
Other asset	<u>600,000</u>	<u>560,000</u>	<u>560,000</u>
Total assets	<u>\$19,077,403</u>	<u>\$16,920,067</u>	<u>\$15,257,702</u>
Current liabilities	\$ 2,153,296	\$ 2,099,288	\$ 1,908,862
Long-term debt, less current maturities	583,851	845,345	793,597
Other noncurrent liabilities	<u>600,000</u>	<u>560,000</u>	<u>560,000</u>
Total liabilities	<u>\$ 3,337,147</u>	<u>\$ 3,504,633</u>	<u>\$ 3,262,459</u>
Invested in capital assets, net of related debt	\$ 5,488,121	\$ 5,369,710	\$ 5,759,218
Unrestricted	<u>10,252,135</u>	<u>8,045,724</u>	<u>6,236,025</u>
Total fund equity	<u>\$15,740,256</u>	<u>\$13,415,434</u>	<u>\$11,995,243</u>

As depicted in Table 1, total assets increased in fiscal year 2007 to \$19,077,403. The change in total assets results primarily from an increase in assets whose use is limited as a result of significant change in operating income.

A summary of the Hospital's historical statements of 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		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net patient service revenue	\$16,785,737	\$15,039,586	\$12,385,686
Other revenue	<u>220,334</u>	<u>210,765</u>	<u>200,990</u>
Total revenue	<u>17,006,071</u>	<u>15,250,351</u>	<u>12,586,676</u>
Salaries	7,513,958	6,772,831	6,245,885
Supplies and expenses	6,973,950	6,697,314	5,778,583
Provision for depreciation	<u>1,078,365</u>	<u>1,110,836</u>	<u>970,516</u>
Total expenses	<u>15,566,273</u>	<u>14,580,981</u>	<u>12,994,984</u>
Operating income (loss)	<u>1,439,798</u>	<u>669,370</u>	<u>(408,308)</u>
County taxes	576,286	575,851	575,568
Investment income	355,325	204,243	97,589
Unrestricted contributions	-	12,226	-
Interest expense	<u>(46,587)</u>	<u>(41,499)</u>	<u>(29,008)</u>
Total nonoperating gains (losses)	<u>885,024</u>	<u>750,821</u>	<u>644,149</u>
Change in fund equity	2,324,822	1,420,191	235,841
Total fund equity, beginning	<u>13,415,434</u>	<u>11,995,243</u>	<u>11,759,402</u>
Total fund equity, ending	<u>\$15,740,256</u>	<u>\$13,415,434</u>	<u>\$11,995,243</u>

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses and changes in fund equity between June 30, 2007 and 2006.

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

Volume: Medical, surgical and obstetrical discharges for fiscal year 2007 were 823 compared to 795 in fiscal year 2006. Average length of stay increased slightly as patient days increased to 2,319 from 2,232 in 2006. Volume on the outpatient side indicated positive growth in 2007. In 2007, gross outpatient charges increased to \$21,195,765 compared to \$19,293,397 in 2006. CT scans, physical therapy and clinic services reflected the most significant growth in 2007.

Price Increase: As is customary annually, the Hospital did review its charge structure and incorporated certain price increases in 2007. Overall, gross patient service revenue increased to \$26,152,120 from \$23,904,890 in 2006.

Payor Mix: The Hospital 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. Contractual adjustments and bad debts were \$9,366,383 in 2007 compared to \$8,865,304 in 2006, representing 36% of gross patient charges.

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

Table 3
Payor Mix by Percentage

	<u>Year ended June 30</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	52%	54%	52%
Medicaid	8	8	9
Commercial insurance	35	34	29
Patients	<u>5</u>	<u>4</u>	<u>10</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$220,334 in 2007 compared to \$210,765 in 2006, primarily due to increased miscellaneous income.

Expenses

Approximately 50% of Hospital's expenses are for salaries. Total salaries increased by 11% to \$7,513,958 in 2007 from \$6,772,831 in 2006. The most significant increases related to clinic and fiscal and administrative service.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 4% to \$6,973,950 in 2007 from \$6,697,314 in 2006. The most significant increase related to clinic.

Approximately 5% of Hospital's expenses relate to provision for depreciation. The provision for depreciation decreased to \$1,078,365 in 2007 from \$1,110,836 in 2006.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$885,024 from \$750,821 in 2006, primarily due to an increase in investment income.

Property and Equipment

At the end of 2007, the Hospital had \$6,539,285 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 2007, \$941,224 was spent to acquire new equipment.

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

**Table 4
Property and Equipment**

	June 30		
	2007	2006	2005
Land	\$ 15,000	\$ 15,350	\$ 15,350
Land improvements	1,001,511	807,767	807,767
Building	4,089,241	4,067,733	4,054,203
Fixed equipment	3,653,496	3,734,222	3,724,702
Major movable equipment	7,700,845	8,249,081	7,824,641
Medical office building	<u>1,395,336</u>	<u>1,390,587</u>	<u>1,390,587</u>
Subtotal	17,855,429	18,264,740	17,817,250
Less accumulated depreciation	<u>(11,316,144)</u>	<u>(11,581,432)</u>	<u>(10,915,447)</u>
Property and equipment	<u>\$ 6,539,285</u>	<u>\$ 6,683,308</u>	<u>\$ 6,901,803</u>

Debt Administration

At year end, the Hospital had \$1,051,164 in current and long-term debt related to notes payable, equipment, a decrease of \$262,434 from 2006. This decrease is the result of the required payments made on the outstanding notes for fiscal year 2007, offset by issuance of debt to purchase equipment. More detailed information about the Hospital's outstanding notes payable are presented in the Notes to Financial Statements. Note that total notes payable represent approximately 40% of the Hospital's total liabilities as of year end.

Performance Compared to County Hospital Budget

The Hospital prepares its annual County Hospital budget on the budget basis, which differs from generally accepted accounting principles, GAAP basis. More detailed information as to major differences between County Hospital budget and GAAP bases are presented in the Notes to Financial Statements. A comparison of the Hospital's fiscal year 2007 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

**Table 5
Actual vs Budget**

	Actual budget basis	Annual County Hospital budget	Variance
Amount to be raised by taxation	\$ 576,286	\$ 560,378	\$ 15,908
Other revenues/receipts	<u>17,502,459</u>	<u>16,095,100</u>	<u>1,407,359</u>
	18,078,745	16,655,478	1,423,267
Expenses/expenditures	<u>15,972,390</u>	<u>16,381,600</u>	<u>(409,210)</u>
Net	<u>\$ 2,106,355</u>	<u>\$ 273,878</u>	<u>\$1,832,477</u>

Performance Compared to County Hospital Budget (continued)

Actual other revenues/receipts results were higher than County Hospital budget primarily due to increased net patient service revenue due to enhanced reimbursement under Critical Access Hospital status. Expenses/expenditures were lower than County Hospital budget primarily due to less acquisition of equipment.

Economic and Other Factors and Next Year's Budget

The Hospital's board and management considered many factors when setting the fiscal year 2008 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors
- Cost of supplies
- Facility expansion and growth in demand for services
- Technology advancements

Contacting Hospital's Management

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

**Crawford County Memorial Hospital
BALANCE SHEETS**

ASSETS	June 30	
	2007	2006
CURRENT ASSETS		
Cash	\$ 529,908	\$ 1,059,618
Patient receivables, less allowances for contractual adjustments and bad debts	3,634,597	2,876,810
Other receivables	26,250	19,925
Estimated third-party payor settlements	100,000	-
Inventories	151,523	171,846
Prepaid expenses	<u>245,250</u>	<u>166,220</u>
Total current assets	<u>4,687,528</u>	<u>4,294,419</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	7,146,157	5,321,648
Interest receivable	<u>104,433</u>	<u>60,692</u>
Total assets whose use is limited	<u>7,250,590</u>	<u>5,382,340</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	17,855,429	18,264,740
Total property and equipment	<u>11,316,144</u>	<u>11,581,432</u>
	<u>6,539,285</u>	<u>6,683,308</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>600,000</u>	<u>560,000</u>
Totals	<u>\$19,077,403</u>	<u>\$16,920,067</u>

	June 30	
	<u>2007</u>	<u>2006</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 467,313	\$ 468,253
Accounts payable	805,634	645,086
Accrued employee compensation	722,658	665,871
Payroll taxes and amounts withheld from employees	57,691	20,078
Estimated third-party payor settlements	100,000	300,000
	<u>2,153,296</u>	<u>2,099,288</u>
LONG-TERM DEBT , less current maturities	<u>583,851</u>	<u>845,345</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	<u>600,000</u>	<u>560,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	5,488,121	5,369,710
Unrestricted	<u>10,252,135</u>	<u>8,045,724</u>
Total fund equity	<u>15,740,256</u>	<u>13,415,434</u>
Totals	<u>\$19,077,403</u>	<u>\$16,920,067</u>

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

	Year ended June 30	
	2007	2006
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2007 \$427,210; 2006 \$427,767	\$16,785,737	\$15,039,586
OTHER REVENUE	<u>220,334</u>	<u>210,765</u>
Total revenue	<u>17,006,071</u>	<u>15,250,351</u>
EXPENSES		
Nursing service	3,293,033	3,029,751
Other professional service	6,508,340	5,929,991
General service	1,201,158	1,202,117
Fiscal and administrative service and unassigned expenses	3,485,377	3,308,286
Provision for depreciation	<u>1,078,365</u>	<u>1,110,836</u>
Total operating expenses	<u>15,566,273</u>	<u>14,580,981</u>
Operating income	<u>1,439,798</u>	<u>669,370</u>
NONOPERATING GAINS (LOSSES)		
County taxes	576,286	575,851
Investment income	355,325	204,243
Unrestricted contributions	-	12,226
Interest expense	<u>(46,587)</u>	<u>(41,499)</u>
Total nonoperating gains (losses)	<u>885,024</u>	<u>750,821</u>
Change in fund equity	2,324,822	1,420,191
TOTAL FUND EQUITY		
Beginning	<u>13,415,434</u>	<u>11,995,243</u>
Ending	<u>\$15,740,256</u>	<u>\$13,415,434</u>

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

	Year ended June 30	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$15,727,950	\$15,222,688
Cash paid to suppliers for goods and services	(6,909,337)	(6,761,734)
Cash paid to employees for services	(7,457,171)	(6,668,589)
Other operating revenue received	<u>220,334</u>	<u>210,765</u>
Net cash provided by operating activities	<u>1,581,776</u>	<u>2,003,130</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	576,286	575,851
Contributions received	<u>—</u>	<u>12,226</u>
Net cash provided by noncapital financing activities	<u>576,286</u>	<u>588,077</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	234,237	573,261
Principal payments on long-term debt	(496,671)	(402,248)
Interest paid on long-term debt	(46,587)	(41,499)
Acquisition of property and equipment	<u>(865,826)</u>	<u>(1,092,680)</u>
Net cash (used in) capital and related financing activities	<u>(1,174,847)</u>	<u>(963,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	311,584	180,508
Purchase of certificates of deposit	(7,364,611)	(5,426,757)
Proceeds from maturities of certificates of deposit	<u>5,540,102</u>	<u>3,578,743</u>
Net cash (used in) investing activities	<u>(1,512,925)</u>	<u>(1,667,506)</u>
NET (DECREASE) IN CASH	(529,710)	(39,465)
CASH		
Beginning	<u>1,059,618</u>	<u>1,099,083</u>
Ending	<u>\$ 529,908</u>	<u>\$ 1,059,618</u>

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,439,798	\$ 669,370
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,078,365	1,110,836
Changes in assets and liabilities		
(Increase) in patient receivables	(757,787)	(196,898)
(Increase) decrease in other receivables	(6,325)	21,480
(Increase) decrease in net estimated third-party payor settlements	(300,000)	380,000
(Increase) decrease in inventories	20,323	(17,579)
(Increase) in prepaid expenses	(79,030)	(55,579)
Increase (decrease) in accounts payable, net of amounts for property and equipment	92,032	(1,426)
Increase in accrued employee compensation	56,787	104,242
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>37,613</u>	<u>(11,316)</u>
Net cash provided by operating activities	<u>\$ 1,581,776</u>	<u>\$ 2,003,130</u>

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Accounting Standards

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

Investments and Investment Income

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

Inventories

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

Property and Equipment

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Receivable

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

Deferred Revenue

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

Fund Equity

Fund equity is presented in the following three components:

Investment in capital assets, net of related debt

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

Restricted fund equity

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

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

Charity Care

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

Net Patient Service Revenue

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues, Expenses, and Changes in Fund Equity

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

Credit Policy

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

Accounting Estimates and Assumptions

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

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As to interest rate risk, the Hospital's investment policy limits the investment of operating funds 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 Hospital.

NOTE 3 PATIENT RECEIVABLES

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Medicare	\$1,715,095	\$1,501,023
Medicaid	508,805	375,038
Commercial insurance	1,741,841	1,354,568
Patients	<u>1,248,856</u>	<u>926,181</u>
Total patient receivables	5,214,597	4,156,810
Less allowances for contractual adjustments and bad debts	(1,580,000)	(1,280,000)
Net patient receivables	<u>\$3,634,597</u>	<u>\$2,876,810</u>

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

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 15,000	\$ -	\$ 15,350	\$ -
Land improvements	1,001,511	332,539	807,767	308,282
Building	4,089,241	2,340,578	4,067,733	2,252,200
Fixed equipment	3,653,496	2,676,675	3,734,222	2,606,329
Major movable equipment	7,700,845	5,299,375	8,249,081	5,792,273
Medical office building	<u>1,395,336</u>	<u>666,977</u>	<u>1,390,587</u>	<u>622,348</u>
Totals	<u>\$17,855,429</u>	<u>\$11,316,144</u>	<u>\$18,264,740</u>	<u>\$11,581,432</u>

A summary of changes in property and equipment for the year ended June 30, 2007 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,350	\$ -	\$ 350	\$ 15,000
Land improvements	807,767	210,480	16,736	1,001,511
Building	4,067,733	40,887	19,379	4,089,241
Fixed equipment	3,734,222	-	80,726	3,653,496
Major movable equipment	8,249,081	685,108	1,233,344	7,700,845
Medical office building	<u>1,390,587</u>	<u>4,749</u>	<u>-</u>	<u>1,395,336</u>
Totals	18,264,740	941,224	1,350,535	17,855,429
Less accumulated depreciation	<u>(11,581,432)</u>	<u>(1,078,365)</u>	<u>(1,343,653)</u>	<u>(11,316,144)</u>
Net property and equipment	<u>\$ 6,683,308</u>	<u>\$ (137,141)</u>	<u>\$ 6,882</u>	<u>\$ 6,539,285</u>

A summary of changes in property and equipment for the year ended June 30, 2006 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,350	\$ -	\$ -	\$ 15,350
Land improvements	807,767	-	-	807,767
Building	4,054,203	13,530	-	4,067,733
Fixed equipment	3,724,702	9,520	-	3,734,222
Major movable equipment	7,824,641	870,572	446,132	8,249,081
Medical office building	<u>1,390,587</u>	<u>-</u>	<u>-</u>	<u>1,390,587</u>
Totals	17,817,250	893,622	446,132	18,264,740
Less accumulated depreciation	<u>(10,915,447)</u>	<u>(1,110,836)</u>	<u>(444,851)</u>	<u>(11,581,432)</u>
Net property and equipment	<u>\$ 6,901,803</u>	<u>\$ (217,214)</u>	<u>\$ 1,281</u>	<u>\$ 6,683,308</u>

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

NOTE 5 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2007	2006
Notes payable, equipment	\$1,051,164	\$1,313,598
Less current maturities	467,313	468,253
Long-term debt, net of current maturities	\$ 583,851	\$ 845,345

Notes Payable, Equipment

The Hospital has a note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$20,616, including interest at 3.41%, with the final payment due March, 2008. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2007, the remaining balance on this note is \$182,934.

The Hospital has a second note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$9,053, including interest at 4.23%, with the final payment due March, 2009. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2007, the remaining balance on this note is \$182,928.

The Hospital has a third note agreement to finance the purchase of certain equipment. This noninterest bearing note requires a monthly payment of \$2,162, with the final payment due September, 2009. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2007, the remaining balance on this note is \$58,380.

The Hospital has a fourth note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$10,545, including interest at 4.09%, with the final payment due January, 2011. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2007, the remaining balance on this note is \$421,102.

The Hospital has a fifth note agreement to finance the purchase of certain equipment. The note requires a monthly payment of \$4,343, including interest at 4.28%, with the final payment due October, 2011. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2007, the remaining balance on this note is \$205,820.

Each note agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Notes. Consequently, these obligations do not constitute indebtedness of the Hospital under the laws of the State of Iowa, however, generally accepted accounting principles require the assets and liabilities to be recorded on the balance sheet at June 30, 2007.

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

Year ending June 30	Notes payable, equipment		
	Principal	Interest	Total
2008	\$ 467,313	\$ 31,469	\$ 498,782
2009	268,133	17,949	286,082
2010	175,466	9,683	185,149
2011	123,032	2,905	125,937
2012	17,220	154	17,374
Totals	1,051,164	62,160	1,113,324
Less current maturities	467,313	31,469	498,782
Total long-term debt	\$ 583,851	\$ 30,691	\$ 614,542

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

NOTE 5 LONG-TERM DEBT (continued)

A summary of changes in long-term debt for the year ended June 30, 2007 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Notes payable, equipment	\$ <u>1,313,598</u>	\$ <u>234,237</u>	\$ <u>496,671</u>	\$ <u>1,051,164</u>	\$ <u>467,313</u>

A summary of changes in long-term debt for the year ended June 30, 2006 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Notes payable, equipment	\$ <u>1,142,585</u>	\$ <u>573,261</u>	\$ <u>402,248</u>	\$ <u>1,313,598</u>	\$ <u>468,253</u>

NOTE 6 NET PATIENT SERVICE REVENUE

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

Medicare and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the period ended June 30, 2005.

Other

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

NOTE 7 DEFINED BENEFIT PENSION PLAN

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

Plan members are required to contribute 3.70% of their annual salary and the Hospital is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$415,977, \$372,378 and \$341,657, respectively, equal to the required contributions for each year.

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

NOTE 8 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Charges foregone, based on established rates	\$ <u>138,522</u>	\$ <u>53,395</u>
Equivalent percentage of charity care patients to all patients served	<u>.5%</u>	<u>.2%</u>

NOTE 9 MALPRACTICE CLAIMS

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

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

Incidents occurring through June 30, 2007 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 10 COUNTY HOSPITAL BUDGET AND BUDGETARY ACCOUNTING

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

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

	<u>GAAP basis</u>	<u>Budget basis adjustments</u>	<u>Budget basis</u>	<u>County Hospital Budget</u>
Amount to be raised by taxation	\$ 576,286	\$ -	\$ 576,286	\$ 560,378
Other revenues/receipts	<u>17,314,809</u>	<u>187,650</u>	<u>17,502,459</u>	<u>16,095,100</u>
	17,891,095	187,650	18,078,745	16,655,478
Expenses/expenditures	<u>15,566,273</u>	<u>406,117</u>	<u>15,972,390</u>	<u>16,381,600</u>
Net	2,324,822	(218,467)	2,106,355	273,878
Balance, beginning	<u>13,415,434</u>	<u>(5,269,654)</u>	<u>8,145,780</u>	<u>6,293,022</u>
Balance, ending	<u>\$15,740,256</u>	<u>\$(5,488,121)</u>	<u>\$10,252,135</u>	<u>\$ 6,566,900</u>

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

NOTE 11 RISK MANAGEMENT

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

NOTE 12 EMPLOYEE BENEFITS

The Hospital has a self-insured medical benefit plan for virtually all employees. The plan is funded by both Hospital and employee contributions. Claims for health care services for employees and their families are accrued when reported by the claims administrator. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$55,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$780,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2007 and 2006 were \$519,214 and \$605,156, respectively, included in fiscal and administrative and unassigned expenses.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

Our report on our audits of the basic financial statements of Crawford County Memorial Hospital for 2007 and 2006 appears on page 4. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 13, 2007

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

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
0 - 30 days (includes patients in Hospital at end of year)	\$2,395,904	\$1,960,469	45.95%	47.16%
31 - 60 days	1,111,889	800,035	21.32	19.25
61 - 90 days	418,425	335,942	8.02	8.08
91 - 180 days	600,686	472,459	11.52	11.37
Over 180 days	<u>687,693</u>	<u>587,905</u>	<u>13.19</u>	<u>14.14</u>
Totals	<u>5,214,597</u>	<u>4,156,810</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	800,000	680,000		
Medicaid	220,000	160,000		
Other	200,000	150,000		
Bad debts	<u>360,000</u>	<u>290,000</u>		
Total allowances	<u>1,580,000</u>	<u>1,280,000</u>		
Totals	<u>\$3,634,597</u>	<u>\$2,876,810</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 45,988</u>	<u>\$ 41,204</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>79</u>	<u>70</u>		

ANALYSIS OF ALLOWANCE FOR BAD DEBTS

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
BALANCE , beginning	\$ 290,000	\$ 300,000		
ADD				
Provision for bad debts	427,210	427,767	2.55%	2.84%
Recoveries of accounts previously written off	<u>194,650</u>	<u>155,697</u>	1.16	1.04
	911,860	883,464		
DEDUCT				
Accounts written off	<u>551,860</u>	<u>593,464</u>	3.29	3.95
BALANCE , ending	<u>\$ 360,000</u>	<u>\$ 290,000</u>		

Crawford County Memorial Hospital
PATIENT SERVICE REVENUE
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$1,532,123	\$ -	\$ 1,532,123	\$ 1,386,416
Swing bed	203,566	-	203,566	203,825
Nursery	80,088	-	80,088	64,477
	<u>1,815,777</u>	<u>-</u>	<u>1,815,777</u>	<u>1,654,718</u>
OTHER NURSING SERVICES				
Operating room	464,149	2,516,091	2,980,240	3,083,384
Recovery room	74,460	406,911	481,371	518,611
Delivery room	139,937	4,819	144,756	137,097
Emergency service	52,031	1,883,085	1,935,116	1,871,293
Observation room	-	104,821	104,821	71,527
Same day surgery	-	68,622	68,622	66,510
	<u>730,577</u>	<u>4,984,349</u>	<u>5,714,926</u>	<u>5,748,422</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	522,517	2,620,882	3,143,399	2,966,753
Electrocardiology	28,743	198,498	227,241	206,089
Radiology	88,238	1,462,112	1,550,350	1,491,441
CT scans	226,644	1,944,935	2,171,579	1,441,407
MRI	24,910	931,386	956,296	840,802
Ultrasound	76,245	1,066,875	1,143,120	1,058,713
Pharmacy	685,775	1,529,908	2,215,683	2,362,119
Anesthesiology	131,244	353,145	484,389	506,807
Respiratory therapy	559,642	407,957	967,599	699,044
Cardiac rehabilitation	-	133,535	133,535	131,486
Ambulance	103,324	631,666	734,990	714,228
Physical therapy	68,160	733,433	801,593	541,989
Occupational therapy	18,293	59,810	78,103	72,362
Speech therapy	14,788	12,146	26,934	2,121
Clinic	-	4,125,128	4,125,128	3,519,784
	<u>2,548,523</u>	<u>16,211,416</u>	<u>18,759,939</u>	<u>16,555,145</u>
Totals	<u>\$5,094,877</u>	<u>\$21,195,765</u>	26,290,642	23,958,285
Charity care charges foregone, based on established rates			(138,522)	(53,395)
Total gross patient service revenue			26,152,120	23,904,890
Provisions for contractual adjustments and bad debts			(9,366,383)	(8,865,304)
Total net patient service revenue			<u>\$16,785,737</u>	<u>\$15,039,586</u>

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Contractual adjustments		
Medicare	\$5,475,797	\$5,310,466
Medicaid	1,334,457	1,098,670
Other adjustments	2,128,919	2,028,401
Provision for bad debts	<u>427,210</u>	<u>427,767</u>
 Totals	 <u>\$9,366,383</u>	 <u>\$8,865,304</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Cafeteria	\$ 33,829	\$ 33,042
Rental income	39,804	52,039
Sale of supplies and drugs	10,617	10,043
Wellness	37,348	36,663
Lifeline	31,027	27,835
Miscellaneous	<u>67,709</u>	<u>51,143</u>
 Totals	 <u>\$ 220,334</u>	 <u>\$ 210,765</u>

Crawford County Memorial Hospital
EXPENSES
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 221,324	\$ 4,145	\$ 225,469	\$ 193,191
Medical and surgical	847,612	122,076	969,688	884,772
Obstetrical	182,838	40,621	223,459	187,152
Coronary care	21,245	1,250	22,495	26,877
Nursery	55,912	3,903	59,815	49,164
Operating room	320,996	290,101	611,097	544,290
Recovery room	23,472	-	23,472	24,577
Delivery room	42,906	9,250	52,156	43,248
Emergency and outpatient service	<u>418,294</u>	<u>687,088</u>	<u>1,105,382</u>	<u>1,076,480</u>
Total nursing service	<u>2,134,599</u>	<u>1,158,434</u>	<u>3,293,033</u>	<u>3,029,751</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	276,273	379,008	655,281	617,000
Electrocardiology	44,594	2,475	47,069	41,520
Radiology	247,731	154,695	402,426	371,127
CT scans	26,049	30,244	56,293	82,593
MRI	-	183,101	183,101	173,405
Ultrasound	30,540	142,895	173,435	121,455
Pharmacy	147,177	423,723	570,900	588,077
Anesthesiology	319,339	17,866	337,205	320,210
Respiratory therapy	107,730	89,838	197,568	145,681
Cardiac rehabilitation	36,685	5,317	42,002	36,602
Ambulance	352,325	28,546	380,871	361,967
Physical therapy	249,773	15,328	265,101	185,074
Occupational therapy	19,103	107	19,210	18,574
Speech therapy	-	14,103	14,103	948
Clinic	1,363,633	1,392,220	2,755,853	2,473,215
Health information management	251,368	31,305	282,673	272,168
Quality assurance	61,891	1,355	63,246	60,127
Utilization review	<u>61,574</u>	<u>429</u>	<u>62,003</u>	<u>60,248</u>
Total other professional service	<u>3,595,785</u>	<u>2,912,555</u>	<u>6,508,340</u>	<u>5,929,991</u>
GENERAL SERVICE				
Dietary	249,977	158,050	408,027	383,163
Plant engineering	246,209	314,463	560,672	591,104
Housekeeping	152,841	33,560	186,401	176,574
Laundry	<u>41,732</u>	<u>4,326</u>	<u>46,058</u>	<u>51,276</u>
Total general service	<u>690,759</u>	<u>510,399</u>	<u>1,201,158</u>	<u>1,202,117</u>

Crawford County Memorial Hospital
EXPENSES (continued)
Year ended June 30, 2007, with comparative totals for 2006

	<u>2007</u>			<u>2006</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Fiscal and administrative service	\$1,092,815	\$ 572,577	\$ 1,665,392	\$ 1,544,836
FICA	-	485,696	485,696	442,162
IPERS	-	415,977	415,977	372,378
Group health and life insurance	-	612,186	612,186	676,250
Insurance	-	<u>306,126</u>	<u>306,126</u>	<u>272,660</u>
Total fiscal and administrative service and unassigned expenses	<u>1,092,815</u>	<u>2,392,562</u>	<u>3,485,377</u>	<u>3,308,286</u>
PROVISION FOR DEPRECIATION	<u>-</u>	<u>1,078,365</u>	<u>1,078,365</u>	<u>1,110,836</u>
Total expenses	<u>\$7,513,958</u>	<u>\$8,052,315</u>	<u>\$15,566,273</u>	<u>\$14,580,981</u>

**Crawford County Memorial Hospital
COMPARATIVE STATISTICS**

	Year ended June 30	
	<u>2007</u>	<u>2006</u>
PATIENT DAYS		
Medical, surgical and obstetrical	2,319	2,232
Swing bed		
Skilled care	600	673
Intermediate care	19	9
Nursery	<u>254</u>	<u>222</u>
Totals	<u>3,192</u>	<u>3,136</u>
DISCHARGES		
Medical, surgical and obstetrical	823	795
Swing bed		
Skilled care	99	102
Intermediate care	6	3
Nursery	<u>126</u>	<u>111</u>
Totals	<u>1,054</u>	<u>1,011</u>
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.82	2.81
Swing bed		
Skilled care	6.06	6.60
Intermediate care	3.17	3.00
Nursery	2.02	2.00

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

Board of Trustees
Crawford County Memorial Hospital
Denison, Iowa

We have audited the financial statements of Crawford County Memorial Hospital as of and for the year ended June 30, 2007, and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hospital's financial statements that is more than inconsequential will not be prevented or detected by the Hospital's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hospital's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 13, 2007

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part I—Findings Related to the Financial Statements

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

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part II—Findings Related to Required Statutory Reporting

07-II-A CERTIFIED BUDGET

Based on a comparison of actual budget basis expenditures with County Hospital budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2007.

07-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

07-II-C TRAVEL EXPENSES

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

07-II-D BUSINESS TRANSACTIONS

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

07-II-E BOARD MINUTES

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

07-II-F DEPOSITS AND INVESTMENTS

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