

**Crawford County Memorial Hospital
Denison, Iowa**

FINANCIAL REPORT

June 30, 2008

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**Crawford County Memorial Hospital
OFFICIALS
June 30, 2008**

BOARD OF TRUSTEES

Expiration of term

Officers

Allen Nepper, President

December 31, 2010

LaVerne Ambrose, Vice President

December 31, 2010

Marla Raasch, Secretary

December 31, 2012

Vanessa Zimmer, Treasurer

December 31, 2012

Members

Nyle Gruhn

December 31, 2008

Marsha Losh

December 31, 2008

Steve Vary

December 31, 2008

CHIEF EXECUTIVE OFFICER

Mark Rinehardt

INTERIM CHIEF FINANCIAL OFFICER

Michael Collins

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, 2008 and 2007, 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, 2008 and 2007, 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 October 21, 2008 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
October 21, 2008

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, 2008 and 2007. 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 \$1,147,242 or 6%, to \$20,224,645
- Total assets whose use is limited increased by \$531,306 to \$7,781,896
- Total property and equipment decreased by \$529,585 to \$6,009,700
- Total fund equity increased by \$1,447,679, or 9%, to \$17,187,935
- Total long-term debt decreased by \$465,151 to \$586,013
- Net patient service revenue increased by \$506,558, or 3%, to \$17,292,295
- Expenses increased by \$1,485,526, or 10%, to \$17,051,799

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>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 5,753,049	\$ 4,687,528	\$ 4,294,419
Assets whose use is limited	7,781,896	7,250,590	5,382,340
Property and equipment	6,009,700	6,539,285	6,683,308
Other asset	<u>680,000</u>	<u>600,000</u>	<u>560,000</u>
Total assets	<u>\$20,224,645</u>	<u>\$19,077,403</u>	<u>\$16,920,067</u>
Current liabilities	\$ 2,038,831	\$ 2,153,296	\$ 2,099,288
Long-term debt, less current maturities	317,879	583,851	845,345
Other noncurrent liabilities	<u>680,000</u>	<u>600,000</u>	<u>560,000</u>
Total liabilities	<u>\$ 3,036,710</u>	<u>\$ 3,337,147</u>	<u>\$ 3,504,633</u>
Invested in capital assets, net of related debt	\$ 5,423,687	\$ 5,488,121	\$ 5,369,710
Unrestricted	<u>11,764,248</u>	<u>10,252,135</u>	<u>8,045,724</u>
Total fund equity	<u>\$17,187,935</u>	<u>\$15,740,256</u>	<u>\$13,415,434</u>

As depicted in Table 1, total assets increased in fiscal year 2008 to \$20,224,645. The change in total assets results primarily from an increase in assets whose use is limited resulting from continuing 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>2008</u>	<u>2007</u>	<u>2006</u>
Net patient service revenue	\$17,292,295	\$16,785,737	\$15,039,586
Other revenue	<u>226,016</u>	<u>220,334</u>	<u>210,765</u>
Total revenue	<u>17,518,311</u>	<u>17,006,071</u>	<u>15,250,351</u>
Salaries	7,826,258	7,513,958	6,772,831
Supplies and expenses	8,148,760	6,973,950	6,697,314
Provision for depreciation	<u>1,076,781</u>	<u>1,078,365</u>	<u>1,110,836</u>
Total expenses	<u>17,051,799</u>	<u>15,566,273</u>	<u>14,580,981</u>
Operating income	<u>466,512</u>	<u>1,439,798</u>	<u>669,370</u>
County taxes	625,648	576,286	575,851
Investment income	386,947	355,325	204,243
Unrestricted contributions	150	-	12,226
Interest expense	<u>(31,578)</u>	<u>(46,587)</u>	<u>(41,499)</u>
Total nonoperating gains (losses)	<u>981,167</u>	<u>885,024</u>	<u>750,821</u>
Change in fund equity	1,447,679	2,324,822	1,420,191
Total fund equity, beginning	<u>15,740,256</u>	<u>13,415,434</u>	<u>11,995,243</u>
Total fund equity, ending	<u>\$17,187,935</u>	<u>\$15,740,256</u>	<u>\$13,415,434</u>

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses and changes in fund equity between June 30, 2008 and 2007.

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 2008 were 776 compared to 823 in fiscal year 2007. Average length of stay decreased slightly as medical, surgical and obstetrical patient days decreased to 2,146 from 2,319 in 2007. Swing bed, skilled care discharges for fiscal year 2008 were 92 compared to 99 in fiscal year 2007. Average length of stay increased as swing bed, skilled care patient days increased to 710 from 600 in 2007. Volume on the outpatient side indicated positive growth in 2008. In 2008, gross outpatient charges increased to \$23,323,631 compared to \$21,195,765 in 2007. Laboratory, radiology, CT scans and clinic services reflected the most significant growth in 2008.

Price Increase: As is customary annually, the Hospital did review its charge structure and incorporated certain price increases in 2008. Overall, gross patient service revenue increased to \$28,276,793 from \$26,152,120 in 2007.

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 \$10,984,498 in 2008 compared to \$9,366,383 in 2007, representing 39% and 36% of gross patient charges for the years ended June 30, 2008 and 2007, respectively.

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>2008</u>	<u>2007</u>	<u>2006</u>
Medicare	47%	49%	51%
Medicaid	10	10	9
Commercial insurance	37	36	35
Patients	<u>6</u>	<u>5</u>	<u>5</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$226,016 in 2008 compared to \$220,334 in 2007.

Expenses

Approximately 45% of Hospital's expenses are for salaries. Total salaries increased by 4% to \$7,826,258 in 2008 from \$7,513,958 in 2007. The most significant increase related to dietary.

Approximately 50% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 17% to \$8,148,760 in 2008 from \$6,973,950 in 2007. The most significant increases related to emergency and outpatient service, clinic, fiscal and administrative service, and group health and life insurance.

Approximately 5% of Hospital's expenses relate to provision for depreciation. The provision for depreciation decreased slightly to \$1,076,781 in 2008 from \$1,078,365 in 2007.

Nonoperating Gains (Losses)

Nonoperating gains (losses) increased to \$981,167 from \$885,024 in 2007, primarily due to increases in county taxes and investment income.

Property and Equipment

At the end of 2008, the Hospital had \$6,009,700 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 2008, \$547,196 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		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land	\$ 15,000	\$ 15,000	\$ 15,350
Land improvements	1,001,511	1,001,511	807,767
Building	4,089,241	4,089,241	4,067,733
Fixed equipment	3,653,496	3,653,496	3,734,222
Major movable equipment	8,248,041	7,700,845	8,249,081
Medical office building	<u>1,395,336</u>	<u>1,395,336</u>	<u>1,390,587</u>
Subtotal	18,402,625	17,855,429	18,264,740
Less accumulated depreciation	<u>12,392,925</u>	<u>11,316,144</u>	<u>11,581,432</u>
Property and equipment	<u>\$ 6,009,700</u>	<u>\$ 6,539,285</u>	<u>\$ 6,683,308</u>

Debt Administration

At year end, the Hospital had \$586,013 in current and long-term debt related to notes payable, equipment, a decrease of \$465,151 from 2007, representing the required principal payments made on the outstanding notes for fiscal year 2008. 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 20% 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 2008 actual budget basis financial information to its annual County Hospital budget is presented in Table 5.

Table 5
Actual vs Budget

	<u>Actual budget basis</u>	<u>Annual County Hospital budget</u>	<u>Variance</u>
Amount to be raised by taxation	\$ 625,648	\$ 609,499	\$ 16,149
Other revenues/receipts	<u>17,905,408</u>	<u>44,046,859</u>	<u>(26,141,451)</u>
	18,531,056	44,656,358	(26,125,302)
Expenses/expenditures	<u>17,018,943</u>	<u>44,581,860</u>	<u>(27,562,917)</u>
Net	<u>\$ 1,512,113</u>	<u>\$ 74,498</u>	<u>\$ 1,437,615</u>

Performance Compared to County Hospital Budget (continued)

Actual other revenues/receipts results were lower than County Hospital budget primarily due to significantly less proceeds from issuance of long-term debt. Expenses/expenditures were lower than County Hospital budget primarily due to significantly less acquisition of property and equipment.

Economic and Other Factors and Next Year's Budget

The Hospital's board and management considered many factors when setting the fiscal year 2009 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	
	2008	2007
CURRENT ASSETS		
Cash	\$ 769,645	\$ 529,908
Patient receivables, less allowances for contractual adjustments and bad debts	4,048,957	3,634,597
Other receivables	15,931	26,250
Estimated third-party payor settlements	400,000	100,000
Inventories	176,554	151,523
Prepaid expenses	<u>341,962</u>	<u>245,250</u>
Total current assets	<u>5,753,049</u>	<u>4,687,528</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	7,679,557	7,146,157
Interest receivable	<u>102,339</u>	<u>104,433</u>
Total assets whose use is limited	<u>7,781,896</u>	<u>7,250,590</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	18,402,625	17,855,429
Total property and equipment	<u>12,392,925</u>	<u>11,316,144</u>
	<u>6,009,700</u>	<u>6,539,285</u>
OTHER ASSET		
Succeeding year property tax receivable	<u>680,000</u>	<u>600,000</u>
Totals	<u>\$20,224,645</u>	<u>\$19,077,403</u>

See Notes to Financial Statements.

		June 30	
		2008	2007
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Current maturities of long-term debt	\$	268,134	\$ 467,313
Accounts payable		957,789	805,634
Accrued employee compensation		780,938	722,658
Payroll taxes and amounts withheld from employees		31,970	57,691
Estimated third-party payor settlements		-	100,000
		<u>2,038,831</u>	<u>2,153,296</u>
Total current liabilities		<u>2,038,831</u>	<u>2,153,296</u>
LONG-TERM DEBT , less current maturities		<u>317,879</u>	<u>583,851</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR			
PROPERTY TAX RECEIVABLE		<u>680,000</u>	<u>600,000</u>
FUND EQUITY			
Invested in capital assets, net of related debt		5,423,687	5,488,121
Unrestricted		<u>11,764,248</u>	<u>10,252,135</u>
Total fund equity		<u>17,187,935</u>	<u>15,740,256</u>
Totals		<u>\$20,224,645</u>	<u>\$19,077,403</u>

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

	Year ended June 30	
	2008	2007
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2008 \$815,115; 2007 \$427,210	\$17,292,295	\$16,785,737
OTHER REVENUE	<u>226,016</u>	<u>220,334</u>
Total revenue	<u>17,518,311</u>	<u>17,006,071</u>
EXPENSES		
Nursing service	3,578,354	3,293,033
Other professional service	7,071,364	6,508,340
General service	1,345,222	1,201,158
Fiscal and administrative service and unassigned expenses	3,980,078	3,485,377
Provision for depreciation	<u>1,076,781</u>	<u>1,078,365</u>
Total operating expenses	<u>17,051,799</u>	<u>15,566,273</u>
Operating income	<u>466,512</u>	<u>1,439,798</u>
NONOPERATING GAINS (LOSSES)		
County taxes	625,648	576,286
Investment income	386,947	355,325
Unrestricted contributions	150	-
Interest expense	<u>(31,578)</u>	<u>(46,587)</u>
Total nonoperating gains (losses)	<u>981,167</u>	<u>885,024</u>
Change in fund equity	1,447,679	2,324,822
TOTAL FUND EQUITY		
Beginning	<u>15,740,256</u>	<u>13,415,434</u>
Ending	<u>\$17,187,935</u>	<u>\$15,740,256</u>

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

	Year ended June 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$16,477,935	\$15,727,950
Cash paid to suppliers for goods and services	(8,133,750)	(6,909,337)
Cash paid to employees for services	(7,767,978)	(7,457,171)
Other operating revenue received	<u>226,016</u>	<u>220,334</u>
Net cash provided by operating activities	<u>802,223</u>	<u>1,581,776</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	625,648	576,286
Contributions received	<u>150</u>	<u>—</u>
Net cash provided by noncapital financing activities	<u>625,798</u>	<u>576,286</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	—	234,237
Principal payments on long-term debt	(465,151)	(496,671)
Interest paid on long-term debt	(31,578)	(46,587)
Acquisition of property and equipment	<u>(547,196)</u>	<u>(865,826)</u>
Net cash (used in) capital and related financing activities	<u>(1,043,925)</u>	<u>(1,174,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	389,041	311,584
Purchase of certificates of deposit	(8,002,921)	(7,364,611)
Proceeds from maturities of certificates of deposit	<u>7,469,521</u>	<u>5,540,102</u>
Net cash (used in) investing activities	<u>(144,359)</u>	<u>(1,512,925)</u>
NET INCREASE (DECREASE) IN CASH	239,737	(529,710)
CASH		
Beginning	<u>529,908</u>	<u>1,059,618</u>
Ending	<u>\$ 769,645</u>	<u>\$ 529,908</u>

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

	<u>Year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 466,512	\$ 1,439,798
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,076,781	1,078,365
Changes in assets and liabilities		
(Increase) in patient receivables	(414,360)	(757,787)
(Increase) decrease in other receivables	10,319	(6,325)
(Increase) in net estimated third-party payor settlements	(400,000)	(300,000)
(Increase) decrease in inventories	(25,031)	20,323
(Increase) in prepaid expenses	(96,712)	(79,030)
Increase in accounts payable	152,155	92,032
Increase in accrued employee compensation	58,280	56,787
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>(25,721)</u>	<u>37,613</u>
Net cash provided by operating activities	<u>\$ 802,223</u>	<u>\$ 1,581,776</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

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. The Hospital has no restricted fund equity.

Unrestricted

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, 2008 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>2008</u>	<u>2007</u>
Medicare	\$1,732,180	\$1,715,095
Medicaid	893,068	508,805
Commercial insurance	1,776,870	1,741,841
Patients	<u>1,526,839</u>	<u>1,248,856</u>
Total patient receivables	5,928,957	5,214,597
Less allowances for contractual adjustments and bad debts	<u>1,880,000</u>	<u>1,580,000</u>
Net patient receivables	<u>\$4,048,957</u>	<u>\$3,634,597</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, 2008</u>		<u>June 30, 2007</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 15,000	\$ -	\$ 15,000	\$ -
Land improvements	1,001,511	379,547	1,001,511	332,539
Building	4,089,241	2,447,327	4,089,241	2,340,578
Fixed equipment	3,653,496	2,826,189	3,653,496	2,676,675
Major movable equipment	8,248,041	6,028,136	7,700,845	5,299,375
Medical office building	<u>1,395,336</u>	<u>711,726</u>	<u>1,395,336</u>	<u>666,977</u>
Totals	<u>\$18,402,625</u>	<u>\$12,392,925</u>	<u>\$17,855,429</u>	<u>\$11,316,144</u>

A summary of changes in property and equipment for the year ended June 30, 2008 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Land improvements	1,001,511	-	-	1,001,511
Building	4,089,241	-	-	4,089,241
Fixed equipment	3,653,496	-	-	3,653,496
Major movable equipment	7,700,845	547,196	-	8,248,041
Medical office building	<u>1,395,336</u>	<u>-</u>	<u>-</u>	<u>1,395,336</u>
Totals	17,855,429	547,196	-	18,402,625
Less accumulated depreciation	<u>(11,316,144)</u>	<u>(1,076,781)</u>	<u>-</u>	<u>(12,392,925)</u>
Net property and equipment	<u>\$ 6,539,285</u>	<u>\$ (529,585)</u>	<u>\$ -</u>	<u>\$ 6,009,700</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>

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

NOTE 5 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Year ended June 30	
	2008	2007
Notes payable, equipment	\$ 586,013	\$1,051,164
Less current maturities	268,134	467,313
Long-term debt, net of current maturities	\$ 317,879	\$ 583,851

Notes Payable, Equipment

The Hospital has a 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, 2008, the remaining balance on this note is \$80,056.

The Hospital has a second 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, 2008, the remaining balance on this note is \$34,595.

The Hospital has a third 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, 2008, the remaining balance on this note is \$309,715.

The Hospital has a fourth 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, 2008, the remaining balance on this note is \$161,647.

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, 2008.

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

	Notes payable, equipment		
Year ending June 30	Principal	Interest	Total
2009	\$ 268,134	\$ 17,949	\$ 286,083
2010	177,623	9,683	187,306
2011	123,037	2,905	125,942
2012	17,219	154	17,373
Totals	586,013	30,691	616,704
Less current maturities	268,134	17,949	286,083
Total long-term debt	\$ 317,879	\$ 12,742	\$ 330,621

**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, 2008 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>1,051,164</u>	\$ <u>—</u>	\$ <u>465,151</u>	\$ <u>586,013</u>	\$ <u>268,134</u>

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>

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, 2006.

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.

For the year ended June 30, 2008, plan members were required to contribute 3.90% of their annual salary and the Hospital was required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$452,747, \$415,977 and \$372,378, 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, 2008 and 2007.

	2008	2007
Charges foregone, based on established rates	\$ <u>209,457</u>	\$ <u>138,522</u>
Equivalent percentage of charity care patients to all patients served	<u>.7%</u>	<u>.5%</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, 2008 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 payments are recorded on the County Hospital budget basis.

For the year ended June 30, 2008, the following is a comparison of reported amounts to the County Hospital budget:

	GAAP basis	Budget basis adjustments	Budget basis	County Hospital Budget
Amount to be raised by taxation	\$ 625,648	\$ -	\$ 625,648	\$ 609,499
Other revenues/receipts	<u>17,873,830</u>	<u>31,578</u>	<u>17,905,408</u>	<u>44,046,859</u>
	18,499,478	31,578	18,531,056	44,656,358
Expenses/expenditures	<u>17,051,799</u>	<u>(32,856)</u>	<u>17,018,943</u>	<u>44,581,860</u>
Net	1,447,679	64,434	1,512,113	74,498
Balance, beginning	<u>15,740,256</u>	<u>(5,488,121)</u>	<u>10,252,135</u>	<u>9,328,801</u>
Balance, ending	<u>\$17,187,935</u>	<u>\$(5,423,687)</u>	<u>\$11,764,248</u>	<u>\$ 9,403,299</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 \$870,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2008 and 2007 were \$750,918 and \$519,214, 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 2008 and 2007 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
October 21, 2008

**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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
0 - 30 days (includes patients in Hospital at end of year)	\$2,118,567	\$2,395,904	35.73%	45.95%
31 - 60 days	1,097,948	1,111,889	18.52	21.32
61 - 90 days	640,101	418,425	10.80	8.02
91 - 150 days	703,413	477,943	11.86	9.17
Over 150 days	<u>1,368,928</u>	<u>810,436</u>	<u>23.09</u>	<u>15.54</u>
Totals	<u>5,928,957</u>	<u>5,214,597</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	920,000	800,000		
Medicaid	260,000	220,000		
Other	240,000	200,000		
Bad debts	<u>460,000</u>	<u>360,000</u>		
Total allowances	<u>1,880,000</u>	<u>1,580,000</u>		
Totals	<u>\$4,048,957</u>	<u>\$3,634,597</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 47,247</u>	<u>\$ 45,988</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>86</u>	<u>79</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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
BALANCE , beginning	\$ 360,000	\$ 290,000		
ADD				
Provision for bad debts	815,115	427,210	4.71%	2.55%
Recoveries of accounts previously written off	<u>157,979</u>	<u>194,650</u>	.91	1.16
	1,333,094	911,860		
DEDUCT				
Accounts written off	<u>873,094</u>	<u>551,860</u>	5.05	3.29
BALANCE , ending	<u>\$ 460,000</u>	<u>\$ 360,000</u>		

Crawford County Memorial Hospital
PATIENT SERVICE REVENUE
Year ended June 30, 2008, with comparative totals for 2007

	2008			2007
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$1,608,539	\$ -	\$ 1,608,539	\$ 1,532,123
Swing bed	243,315	-	243,315	203,566
Nursery	<u>78,972</u>	<u>-</u>	<u>78,972</u>	<u>80,088</u>
	<u>1,930,826</u>	<u>-</u>	<u>1,930,826</u>	<u>1,815,777</u>
OTHER NURSING SERVICES				
Operating room	442,849	2,718,312	3,161,161	2,980,240
Recovery room	68,949	444,702	513,651	481,371
Delivery room	137,198	4,859	142,057	144,756
Emergency service	58,222	2,140,296	2,198,518	1,935,116
Observation room	-	94,550	94,550	104,821
Same day surgery	<u>-</u>	<u>59,189</u>	<u>59,189</u>	<u>68,622</u>
	<u>707,218</u>	<u>5,461,908</u>	<u>6,169,126</u>	<u>5,714,926</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	511,917	2,919,495	3,431,412	3,143,399
Electrocardiology	26,114	192,948	219,062	227,241
Radiology	92,993	1,694,794	1,787,787	1,550,350
CT scans	225,591	2,430,611	2,656,202	2,171,579
MRI	11,464	1,002,581	1,014,045	956,296
Ultrasound	89,369	1,105,678	1,195,047	1,143,120
Pharmacy	630,449	1,425,495	2,055,944	2,215,683
Anesthesiology	123,015	380,771	503,786	484,389
Respiratory therapy	575,906	474,325	1,050,231	967,599
Cardiac rehabilitation	-	90,842	90,842	133,535
Ambulance	106,576	728,801	835,377	734,990
Physical therapy	94,097	844,178	938,275	801,593
Occupational therapy	25,990	73,140	99,130	78,103
Speech therapy	11,094	11,037	22,131	26,934
Clinic	<u>-</u>	<u>4,487,027</u>	<u>4,487,027</u>	<u>4,125,128</u>
	<u>2,524,575</u>	<u>17,861,723</u>	<u>20,386,298</u>	<u>18,759,939</u>
Totals	<u>\$5,162,619</u>	<u>\$23,323,631</u>	28,486,250	26,290,642
Charity care charges foregone, based on established rates			<u>(209,457)</u>	<u>(138,522)</u>
Total gross patient service revenue			28,276,793	26,152,120
Provisions for contractual adjustments and bad debts			<u>(10,984,498)</u>	<u>(9,366,383)</u>
Total net patient service revenue			<u>\$17,292,295</u>	<u>\$16,785,737</u>

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

	<u>Year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Contractual adjustments		
Medicare	\$ 6,446,958	\$5,475,797
Medicaid	1,295,287	1,334,457
Other adjustments	2,427,138	2,128,919
Provision for bad debts	<u>815,115</u>	<u>427,210</u>
 Totals	 <u>\$10,984,498</u>	 <u>\$9,366,383</u>

OTHER REVENUE

	<u>Year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Cafeteria	\$ 34,425	\$ 33,829
Rental income	46,555	39,804
Sale of supplies and drugs	18,522	10,617
Wellness	38,866	37,348
Lifeline	35,316	31,027
Miscellaneous	<u>52,332</u>	<u>67,709</u>
 Totals	 <u>\$ 226,016</u>	 <u>\$ 220,334</u>

Crawford County Memorial Hospital
EXPENSES
Year ended June 30, 2008, with comparative totals for 2007

	<u>2008</u>			<u>2007</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 226,290	\$ 14,867	\$ 241,157	\$ 225,469
Medical and surgical	881,641	148,654	1,030,295	969,688
Obstetrical	191,630	18,189	209,819	223,459
Coronary care	16,432	1,480	17,912	22,495
Nursery	56,173	9,301	65,474	59,815
Operating room	345,496	292,732	638,228	611,097
Recovery room	24,013	-	24,013	23,472
Delivery room	40,265	7,118	47,383	52,156
Emergency and outpatient service	<u>445,549</u>	<u>858,524</u>	<u>1,304,073</u>	<u>1,105,382</u>
Total nursing service	<u>2,227,489</u>	<u>1,350,865</u>	<u>3,578,354</u>	<u>3,293,033</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	291,548	386,162	677,710	655,281
Electrocardiology	47,770	3,274	51,044	47,069
Radiology	246,765	200,849	447,614	402,426
CT scans	39,111	180,346	219,457	56,293
MRI	-	203,803	203,803	183,101
Ultrasound	65,674	87,200	152,874	173,435
Pharmacy	156,845	362,925	519,770	570,900
Anesthesiology	337,954	16,575	354,529	337,205
Respiratory therapy	112,395	93,495	205,890	197,568
Cardiac rehabilitation	35,636	4,897	40,533	42,002
Ambulance	362,326	46,453	408,779	380,871
Physical therapy	293,408	20,399	313,807	265,101
Occupational therapy	23,909	248	24,157	19,210
Speech therapy	-	11,927	11,927	14,103
Clinic	1,369,582	1,608,048	2,977,630	2,755,853
Health information management	276,133	54,798	330,931	282,673
Quality assurance	62,510	1,633	64,143	63,246
Utilization review	<u>66,561</u>	<u>205</u>	<u>66,766</u>	<u>62,003</u>
Total other professional service	<u>3,788,127</u>	<u>3,283,237</u>	<u>7,071,364</u>	<u>6,508,340</u>
GENERAL SERVICE				
Dietary	292,953	144,883	437,836	408,027
Plant engineering	266,101	402,511	668,612	560,672
Housekeeping	152,327	36,885	189,212	186,401
Laundry	<u>45,133</u>	<u>4,429</u>	<u>49,562</u>	<u>46,058</u>
Total general service	<u>756,514</u>	<u>588,708</u>	<u>1,345,222</u>	<u>1,201,158</u>

Crawford County Memorial Hospital
EXPENSES (continued)
Year ended June 30, 2008, with comparative totals for 2007

	<u>2008</u>			<u>2007</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Fiscal and administrative service	\$1,054,128	\$ 788,361	\$ 1,842,489	\$ 1,665,392
FICA	-	515,565	515,565	485,696
IPERS	-	452,747	452,747	415,977
Group health and life insurance	-	855,402	855,402	612,186
Insurance	<u>-</u>	<u>313,875</u>	<u>313,875</u>	<u>306,126</u>
Total fiscal and administrative service and unassigned expenses	<u>1,054,128</u>	<u>2,925,950</u>	<u>3,980,078</u>	<u>3,485,377</u>
PROVISION FOR DEPRECIATION	<u>-</u>	<u>1,076,781</u>	<u>1,076,781</u>	<u>1,078,365</u>
Total expenses	<u>\$7,826,258</u>	<u>\$9,225,541</u>	<u>\$17,051,799</u>	<u>\$15,566,273</u>

**Crawford County Memorial Hospital
STATISTICS**

	Year ended June 30	
	<u>2008</u>	<u>2007</u>
PATIENT DAYS		
Medical, surgical and obstetrical	2,146	2,319
Swing bed		
Skilled care	710	600
Intermediate care	12	19
Nursery	<u>233</u>	<u>254</u>
Totals	<u><u>3,101</u></u>	<u><u>3,192</u></u>
DISCHARGES		
Medical, surgical and obstetrical	776	823
Swing bed		
Skilled care	92	99
Intermediate care	4	6
Nursery	<u>109</u>	<u>126</u>
Totals	<u><u>981</u></u>	<u><u>1,054</u></u>
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.77	2.82
Swing bed		
Skilled care	7.72	6.06
Intermediate care	3.00	3.17
Nursery	2.14	2.02

**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, 2008, and have issued our report thereon dated October 21, 2008. 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, 2008 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
October 21, 2008

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2008**

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, 2008**

Part II—Findings Related to Required Statutory Reporting

08-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, 2008.

08-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

08-II-C TRAVEL EXPENSES

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

08-II-D BUSINESS TRANSACTIONS

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

08-II-E BOARD MINUTES

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

08-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.