

**Crawford County Memorial Hospital
Denison, Iowa**

FINANCIAL REPORT

June 30, 2009

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**Crawford County Memorial Hospital
OFFICIALS
June 30, 2009**

BOARD OF TRUSTEES

Expiration of term

Officers

Allen Nepper, President
LaVerne Ambrose, Vice President
Marla Raasch, Secretary
Vanessa Zimmer, Treasurer

December 31, 2010
December 31, 2010
December 31, 2012
December 31, 2012

Members

Virgie Deiber-Henningsen
Thomas Eller
Carol Swanson

December 31, 2014
December 31, 2014
December 31, 2014

CHIEF EXECUTIVE OFFICER

Mark Rinehardt

CHIEF FINANCIAL OFFICER

Nancy Carlson

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, 2009 and 2008, 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, 2009 and 2008, 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 November 10, 2009 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
November 10, 2009

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, 2009 and 2008. 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 \$11,715,545 to \$31,940,190
- Total assets whose use is limited increased by \$9,852,259 to \$17,634,155
- Total property and equipment increased by \$1,584,014 to \$7,593,714
- Total fund equity increased by \$1,474,299 to \$18,662,234
- Total long-term debt increased by \$9,540,864 to \$10,126,877
- Net patient service revenue increased by \$1,266,406, or 7%, to \$18,558,701
- Expenses increased by \$1,222,617, or 7%, to \$18,274,416

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		
	2009	2008	2007
Current assets	\$ 6,317,948	\$ 5,753,049	\$ 4,687,528
Assets whose use is limited	17,288,528	7,781,896	7,250,590
Property and equipment	7,593,714	6,009,700	6,539,285
Other asset	<u>740,000</u>	<u>680,000</u>	<u>600,000</u>
Total assets	<u>\$31,940,190</u>	<u>\$20,224,645</u>	<u>\$19,077,403</u>
Current liabilities	\$ 2,469,174	\$ 2,038,831	\$ 2,153,296
Long-term debt, less current maturities	10,068,782	317,879	583,851
Other noncurrent liabilities	<u>740,000</u>	<u>680,000</u>	<u>600,000</u>
Total liabilities	<u>\$13,277,956</u>	<u>\$ 3,036,710</u>	<u>\$ 3,337,147</u>
Invested in capital assets, net of related debt	\$ 7,587,435	\$ 5,423,687	\$ 5,488,121
Unrestricted	<u>11,074,799</u>	<u>11,764,248</u>	<u>10,252,135</u>
Total fund equity	<u>\$18,662,234</u>	<u>\$17,187,935</u>	<u>\$15,740,256</u>

As depicted in Table 1, total assets increased significantly in fiscal year 2009 to \$31,940,190. The change in total assets results primarily from an increase in assets whose use is limited resulting from the investment of proceeds from issuance of long-term debt.

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		
	2009	2008	2007
Net patient service revenue	\$18,558,701	\$17,292,295	\$16,785,737
Other revenue	<u>266,096</u>	<u>226,016</u>	<u>220,334</u>
Total revenue	<u>18,824,797</u>	<u>17,518,311</u>	<u>17,006,071</u>
Salaries	8,997,613	7,826,258	7,513,958
Supplies and expenses	8,273,240	8,148,760	6,973,950
Provision for depreciation	<u>1,003,563</u>	<u>1,076,781</u>	<u>1,078,365</u>
Total expenses	<u>18,274,416</u>	<u>17,051,799</u>	<u>15,566,273</u>
Operating income	<u>550,381</u>	<u>466,512</u>	<u>1,439,798</u>
County taxes	701,958	625,648	576,286
Investment income	241,623	386,947	355,325
Unrestricted contributions	-	150	-
Interest expense	<u>(19,663)</u>	<u>(31,578)</u>	<u>(46,587)</u>
Total nonoperating gains (losses)	<u>923,918</u>	<u>981,167</u>	<u>885,024</u>
Change in fund equity	1,474,299	1,447,679	2,324,822
Total fund equity, beginning	<u>17,187,935</u>	<u>15,740,256</u>	<u>13,415,434</u>
Total fund equity, ending	<u>\$18,662,234</u>	<u>\$17,187,935</u>	<u>\$15,740,256</u>

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses and changes in fund equity between June 30, 2009 and 2008.

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 2009 were 733 compared to 776 in fiscal year 2008. Average length of stay decreased slightly as medical, surgical and obstetrical patient days decreased to 1,949 from 2,146 in 2008. Swing bed, skilled care discharges for fiscal year 2009 were 83 compared to 92 in fiscal year 2008. Average length of stay decreased slightly as swing bed, skilled care patient days decreased to 570 from 710 in 2008. Volume on the outpatient side indicated positive growth in 2009. In 2009, gross outpatient charges increased to \$25,553,129 compared to \$23,323,631 in 2008. Operating room, laboratory, radiology and clinic services reflected the most significant growth in 2009.

Price Increase: As is customary annually, the Hospital did review its charge structure and incorporated certain price increases in 2009. Overall, gross patient service revenue increased to \$30,290,174 from \$28,276,793 in 2008.

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 \$11,731,473 in 2009 compared to \$10,984,498 in 2008, representing 39% of gross patient charges for each of the years ended June 30, 2009 and 2008.

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>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	46%	47%	49%
Medicaid	10	10	10
Commercial insurance	39	37	36
Patients	<u>5</u>	<u>6</u>	<u>5</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue increased to \$266,096 in 2009 compared to \$226,016 in 2008, primarily due to an increase in miscellaneous income.

Expenses

Approximately 50% of Hospital's expenses are for salaries. Total salaries increased by 15% to \$8,997,613 in 2009 from \$7,826,258 in 2008. The most significant increase related to clinic services.

Approximately 45% of Hospital's expenses are for supplies and expenses. Total supplies and expenses increased by 2% to \$8,273,240 in 2009 from \$8,148,760 in 2008. The most significant increases related to operating room, and emergency and outpatient service.

Approximately 5% of Hospital's expenses relate to provision for depreciation. The provision for depreciation decreased to \$1,003,563 in 2009 from \$1,076,781 in 2008.

Nonoperating Gains (Losses)

Nonoperating gains (losses) decreased to \$923,918 from \$981,167 in 2008, primarily due to a decrease in investment income.

Property and Equipment

At the end of 2009, the Hospital had \$7,543,714 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 2009, \$2,587,577 was spent to acquire new equipment and to provide for the initial costs relating to the Hospital's construction project. The project includes construction of a replacement hospital and the estimated total cost is approximately \$30 million to be funded by issuance of long-term debt.

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

Table 4
Property and Equipment

	June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 419,900	\$ 15,000	\$ 15,000
Land improvements	1,001,511	1,001,511	1,001,511
Building	4,089,241	4,089,241	4,089,241
Fixed equipment	3,653,496	3,653,496	3,653,496
Major movable equipment	8,609,638	8,248,041	7,700,845
Medical office building	1,395,336	1,395,336	1,395,336
Construction in progress	<u>1,821,080</u>	<u>—</u>	<u>—</u>
Subtotal	20,990,202	18,402,625	17,855,429
Less accumulated depreciation	<u>13,396,488</u>	<u>12,392,925</u>	<u>11,316,144</u>
Property and equipment	<u>\$ 7,593,714</u>	<u>\$ 6,009,700</u>	<u>\$ 6,539,285</u>

Debt Administration

At year end, the Hospital had \$10,126,877 in current and long-term debt related to Hospital Revenue Bond Anticipation Note and notes payable, equipment, an increase of \$9,540,864 from 2008, representing the issuance of the Bond less required principal payments made on the outstanding equipment notes for fiscal year 2009. More detailed information about the Hospital's outstanding long-term debt is presented in the notes to financial statements. Note that total long-term debt represents approximately 75% 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 2009 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	\$ 701,958	\$ 677,808	\$ 24,150
Other revenues/receipts	<u>29,066,420</u>	<u>50,183,082</u>	<u>(21,116,662)</u>
	29,768,378	50,860,890	(21,092,512)
Expenses/expenditures	<u>20,337,229</u>	<u>51,353,390</u>	<u>(31,016,161)</u>
Net	<u>\$ 9,431,149</u>	<u>\$ (492,500)</u>	<u>\$ 9,923,649</u>

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 2010 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	
	2009	2008
CURRENT ASSETS		
Cash	\$ 2,178,093	\$ 769,645
Assets whose use is limited-required for current liabilities	345,627	-
Patient receivables, less allowances for contractual adjustments and bad debts	3,333,485	4,048,957
Other receivables	41,792	15,931
Estimated third-party payor settlements	180,000	400,000
Inventories	178,112	176,554
Prepaid expenses	60,839	341,962
Total current assets	<u>6,317,948</u>	<u>5,753,049</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Certificates of deposit	7,454,219	7,679,557
Interest receivable	59,338	102,339
	<u>7,513,557</u>	<u>7,781,896</u>
Restricted for payment of long-term debt and interest		
Certificates of deposit	10,000,000	-
Interest receivable	120,598	-
Total assets whose use is limited	<u>17,634,155</u>	<u>7,781,896</u>
Less assets whose use is limited and that are required for current liabilities	345,627	-
Noncurrent assets whose use is limited	<u>17,288,528</u>	<u>7,781,896</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation	20,990,202	18,402,625
Total property and equipment	<u>13,396,488</u>	<u>12,392,925</u>
	<u>7,593,714</u>	<u>6,009,700</u>
OTHER ASSET		
Succeeding year property tax receivable	740,000	680,000
Totals	<u>\$31,940,190</u>	<u>\$20,224,645</u>

	June 30	
	2009	2008
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 58,095	\$ 268,134
Accounts payable		
Trade	807,862	957,789
Construction	190,285	-
Accrued employee compensation	1,019,892	780,938
Payroll taxes and amounts withheld from employees	37,698	31,970
Accrued interest	155,342	-
Estimated third-party payor settlements	200,000	-
Total current liabilities	<u>2,469,174</u>	<u>2,038,831</u>
LONG-TERM DEBT , less current maturities	<u>10,068,782</u>	<u>317,879</u>
DEFERRED REVENUE FOR SUCCEEDING YEAR PROPERTY TAX RECEIVABLE	<u>740,000</u>	<u>680,000</u>
FUND EQUITY		
Invested in capital assets, net of related debt	7,587,435	5,423,687
Unrestricted	<u>11,074,799</u>	<u>11,764,248</u>
Total fund equity	<u>18,662,234</u>	<u>17,187,935</u>
Totals	<u>\$31,940,190</u>	<u>\$20,224,645</u>

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

	Year ended June 30	
	2009	2008
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2009 \$1,051,060; 2008 \$815,115	\$18,558,701	\$17,292,295
OTHER REVENUE	<u>266,096</u>	<u>226,016</u>
Total revenue	<u>18,824,797</u>	<u>17,518,311</u>
EXPENSES		
Nursing service	4,008,759	3,578,354
Other professional service	7,818,873	7,071,364
General service	1,294,642	1,345,222
Fiscal and administrative service and unassigned expenses	4,148,579	3,980,078
Provision for depreciation	<u>1,003,563</u>	<u>1,076,781</u>
Total operating expenses	<u>18,274,416</u>	<u>17,051,799</u>
Operating income	<u>550,381</u>	<u>466,512</u>
NONOPERATING GAINS (LOSSES)		
County taxes	701,958	625,648
Investment income	241,623	386,947
Unrestricted contributions	-	150
Interest expense	<u>(19,663)</u>	<u>(31,578)</u>
Total nonoperating gains (losses)	<u>923,918</u>	<u>981,167</u>
Change in fund equity	1,474,299	1,447,679
TOTAL FUND EQUITY		
Beginning	<u>17,187,935</u>	<u>15,740,256</u>
Ending	<u>\$18,662,234</u>	<u>\$17,187,935</u>

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

	Year ended June 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$19,694,173	\$16,477,935
Cash paid to suppliers for goods and services	(8,163,735)	(8,133,750)
Cash paid to employees for services	(8,758,659)	(7,767,978)
Other operating revenue received	<u>266,096</u>	<u>226,016</u>
Net cash provided by operating activities	<u>3,037,875</u>	<u>802,223</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes	701,958	625,648
Contributions received	<u>—</u>	<u>150</u>
Net cash provided by noncapital financing activities	<u>701,958</u>	<u>625,798</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	10,000,000	—
Principal payments on long-term debt	(459,136)	(465,151)
Interest paid on long-term debt	(19,663)	(31,578)
Acquisition of property and equipment	<u>(2,362,548)</u>	<u>(547,196)</u>
Net cash provided by (used in) capital and related financing activities	<u>7,158,653</u>	<u>(1,043,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	284,624	389,041
Purchase of certificates of deposit	(22,812,591)	(8,002,921)
Proceeds from maturities of certificates of deposit	<u>13,037,929</u>	<u>7,469,521</u>
Net cash (used in) investing activities	<u>(9,490,038)</u>	<u>(144,359)</u>
NET INCREASE IN CASH	1,408,448	239,737
CASH		
Beginning	<u>769,645</u>	<u>529,908</u>
Ending	<u>\$ 2,178,093</u>	<u>\$ 769,645</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 550,381	\$ 466,512
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,003,563	1,076,781
Changes in assets and liabilities		
(Increase) decrease in patient receivables	715,472	(414,360)
(Increase) decrease in other receivables	(25,861)	10,319
(Increase) decrease in net estimated third-party payor settlements	420,000	(400,000)
(Increase) in inventories	(1,558)	(25,031)
(Increase) decrease in prepaid expenses	281,123	(96,712)
Increase (decrease) in accounts payable, trade	(149,927)	152,155
Increase in accrued employee compensation	238,954	58,280
Increase (decrease) in payroll taxes and amounts withheld from employees	<u>5,728</u>	<u>(25,721)</u>
Net cash provided by operating activities	<u>\$3,037,875</u>	<u>\$ 802,223</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)

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue

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

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, 2009 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.

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

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>2009</u>	<u>2008</u>
Medicare	\$1,256,321	\$1,732,180
Medicaid	395,042	893,068
Commercial insurance	1,715,320	1,776,870
Patients	<u>1,386,802</u>	<u>1,526,839</u>
Total patient receivables	4,753,485	5,928,957
Less allowances for contractual adjustments and bad debts	<u>1,420,000</u>	<u>1,880,000</u>
Net patient receivables	<u>\$3,333,485</u>	<u>\$4,048,957</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 419,900	\$ -	\$ 15,000	\$ -
Land improvements	1,001,511	426,555	1,001,511	379,547
Building	4,089,241	2,549,101	4,089,241	2,447,327
Fixed equipment	3,653,496	2,961,345	3,653,496	2,826,189
Major movable equipment	8,609,638	6,703,014	8,248,041	6,028,136
Medical office building	1,395,336	756,473	1,395,336	711,726
Construction in progress	<u>1,821,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$20,990,202</u>	<u>\$13,396,488</u>	<u>\$18,402,625</u>	<u>\$12,392,925</u>

Construction in progress at June 30, 2009 consists primarily of progress billings for architect and engineering fees, and initial site development costs, related to the Hospital's construction project. The project includes construction of a replacement hospital. The estimated total cost of the project is approximately \$30 million and is to be funded by issuance of long-term debt. As of June 30, 2009, the Hospital has entered into contracts to provide architect, construction management services, and initial construction contracts. At June 30, 2009 the Hospital has \$190,285 accrued as accounts payable-construction.

A summary of changes in property and equipment for the year ended June 30, 2009 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 15,000	\$ 404,900	\$ -	\$ 419,900
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	8,248,041	361,597	-	8,609,638
Medical office building	1,395,336	-	-	1,395,336
Construction in progress	<u>-</u>	<u>1,821,080</u>	<u>-</u>	<u>1,821,080</u>
Totals	18,402,625	2,587,577	-	20,990,202
Less accumulated depreciation	<u>(12,392,925)</u>	<u>(1,003,563)</u>	<u>-</u>	<u>(13,396,488)</u>
Net property and equipment	<u>\$ 6,009,700</u>	<u>\$1,584,014</u>	<u>\$ -</u>	<u>\$ 7,593,714</u>

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

NOTE 4 PROPERTY AND EQUIPMENT (continued)

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 interest costs on borrowed funds capitalized, net of interest earned, follows:

	<u>Year ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Construction period—interest expense	\$ 155,342	\$ —
Less interest earned on proceeds	<u>(120,598)</u>	<u>—</u>
Amount capitalized	<u>\$ 34,744</u>	<u>\$ —</u>

NOTE 5 LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>Year ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Hospital Revenue Bond Anticipation Note, Series 2008	\$10,000,000	\$ —
Notes payable, equipment	<u>126,877</u>	<u>586,013</u>
	10,126,877	586,013
Less current maturities	<u>10,058,095</u>	<u>268,134</u>
Long-term debt, net of current maturities	<u>\$ 68,782</u>	<u>\$ 317,879</u>

Hospital Revenue Bond Anticipation Note, Series 2008

The Hospital has issued Hospital Revenue Bond Anticipation Note, Series 2008 in the original amount of \$10,000,000. The Note is due December 1, 2009 at an interest rate of 3%. At June 30, 2009, the Note is classified on the balance sheet as long-term debt as the issuance is in anticipation of the receipt of and is payable from the proceeds of the authorized hospital revenue bonds of the Hospital. Therefore, no amount of this obligation is reported as a current liability at June 30, 2009.

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

NOTE 5 LONG-TERM DEBT (continued)

Notes Payable, Equipment

The Hospital has a 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 October, 2009. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2009, the remaining balance on this note is \$8,649.

The Hospital has a second 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, 2009, the remaining balance on this note is \$118,228.

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, 2009.

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

<u>Year ending June 30</u>	<u>Revenue note</u>	<u>Notes payable</u>	<u>Total principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ —	\$ 58,095	\$ 58,095	\$ 302,676	\$ 360,771
2011	10,000,000	51,217	10,051,217	905	10,052,122
2012	—	17,565	17,565	191	17,756
Totals	10,000,000	126,877	10,126,877	303,772	10,430,649
Less current maturities	—	58,095	58,095	302,676	360,771
Total long-term debt	<u>\$10,000,000</u>	<u>\$ 68,782</u>	<u>\$10,068,782</u>	<u>\$ 1,096</u>	<u>\$10,069,878</u>

A summary of changes in long-term debt for the year ended June 30, 2009 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Hospital Revenue Bond Anticipation Note, Series 2008	\$ —	\$10,000,000	\$ —	\$10,000,000	\$ —
Notes payable, equipment	<u>586,013</u>	<u>—</u>	<u>459,136</u>	<u>126,877</u>	<u>58,095</u>
Totals	<u>\$ 586,013</u>	<u>\$10,000,000</u>	<u>\$ 459,136</u>	<u>\$10,126,877</u>	<u>\$ 58,095</u>

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>

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

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, 2008.

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, 2009, regular plan members were required to contribute 4.1% of their annual salary and the Hospital was required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$531,428, \$452,747 and \$415,977, respectively, equal to the required contributions for each year.

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, 2009 and 2008.

	2009	2008
Charges foregone, based on established rates	\$ <u>324,175</u>	\$ <u>209,457</u>
Equivalent percentage of charity care patients to all patients served	<u>1.1%</u>	<u>.7%</u>

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

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, 2009 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.

For the year ended June 30, 2009, 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	\$ 701,958	\$ -	\$ 701,958	\$ 677,808
Other revenues/receipts	<u>19,046,757</u>	<u>10,019,663</u>	<u>29,066,420</u>	<u>50,183,082</u>
	19,748,715	10,019,663	29,768,378	50,860,890
Expenses/expenditures	<u>18,274,416</u>	<u>2,062,813</u>	<u>20,337,229</u>	<u>51,353,390</u>
Net	1,474,299	7,956,850	9,431,149	(492,500)
Balance, beginning	<u>17,187,935</u>	<u>(5,423,687)</u>	<u>11,764,248</u>	<u>11,978,683</u>
Balance, ending	<u>\$18,662,234</u>	<u>\$ 2,533,163</u>	<u>\$21,195,397</u>	<u>\$11,486,183</u>

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.

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

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 \$1,260,000. Total expenses, which include claims, administration and stop-loss insurance premiums, under this plan for the years ended June 30, 2009 and 2008 were \$680,411 and \$750,918, 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 2009 and 2008 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
November 10, 2009

**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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
0 - 30 days (includes patients in Hospital at end of year)	\$2,250,832	\$2,118,567	47.35%	35.73%
31 - 60 days	657,941	1,097,948	13.84	18.52
61 - 90 days	342,016	640,101	7.20	10.80
91 - 150 days	494,062	703,413	10.39	11.86
Over 150 days	<u>1,008,634</u>	<u>1,368,928</u>	<u>21.22</u>	<u>23.09</u>
Totals	<u>4,753,485</u>	<u>5,928,957</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Contractual				
Medicare	600,000	920,000		
Medicaid	140,000	260,000		
Other	220,000	240,000		
Bad debts	<u>460,000</u>	<u>460,000</u>		
Total allowances	<u>1,420,000</u>	<u>1,880,000</u>		
Totals	<u>\$3,333,485</u>	<u>\$4,048,957</u>		
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	<u>\$ 50,846</u>	<u>\$ 47,247</u>		
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES	<u>66</u>	<u>86</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
BALANCE , beginning	\$ 460,000	\$ 360,000		
ADD				
Provision for bad debts	1,051,060	815,115	5.66%	4.71%
Recoveries of accounts previously written off	<u>138,561</u>	<u>157,979</u>	.75	.91
	1,649,621	1,333,094		
DEDUCT				
Accounts written off	<u>1,189,621</u>	<u>873,094</u>	6.41	5.05
BALANCE , ending	<u>\$ 460,000</u>	<u>\$ 460,000</u>		

Crawford County Memorial Hospital
PATIENT SERVICE REVENUE
Year ended June 30, 2009, with comparative totals for 2008

	2009			2008
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Total</u>
DAILY PATIENT SERVICES				
Medical, surgical and obstetrical	\$1,655,897	\$ -	\$ 1,655,897	\$ 1,608,539
Swing bed	227,134	-	227,134	243,315
Nursery	97,121	-	97,121	78,972
	<u>1,980,152</u>	<u>-</u>	<u>1,980,152</u>	<u>1,930,826</u>
OTHER NURSING SERVICES				
Operating room	383,876	3,194,378	3,578,254	3,161,161
Recovery room	66,948	519,348	586,296	513,651
Delivery room	153,090	14,665	167,755	142,057
Emergency service	54,351	2,240,724	2,295,075	2,198,518
Observation room	-	51,558	51,558	94,550
Same day surgery	-	138,276	138,276	59,189
	<u>658,265</u>	<u>6,158,949</u>	<u>6,817,214</u>	<u>6,169,126</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	526,324	3,200,693	3,727,017	3,431,412
Electrocardiology	26,052	188,511	214,563	219,062
Radiology	93,918	1,868,014	1,961,932	1,787,787
CT scans	212,472	2,582,339	2,794,811	2,656,202
MRI	30,657	1,148,091	1,178,748	1,014,045
Ultrasound	64,998	1,147,704	1,212,702	1,195,047
Pharmacy	561,564	1,353,241	1,914,805	2,055,944
Anesthesiology	126,549	432,008	558,557	503,786
Respiratory therapy	537,124	463,045	1,000,169	1,050,231
Cardiac rehabilitation	702	114,884	115,586	90,842
Ambulance	132,678	807,277	939,955	835,377
Physical therapy	80,298	899,010	979,308	938,275
Occupational therapy	19,414	105,022	124,436	99,130
Speech therapy	10,053	15,017	25,070	22,131
Clinic	-	5,069,324	5,069,324	4,487,027
	<u>2,422,803</u>	<u>19,394,180</u>	<u>21,816,983</u>	<u>20,386,298</u>
Totals	<u>\$5,061,220</u>	<u>\$25,553,129</u>	30,614,349	28,486,250
Charity care charges foregone, based on established rates			(324,175)	(209,457)
Total gross patient service revenue			30,290,174	28,276,793
Provisions for contractual adjustments and bad debts			(11,731,473)	(10,984,498)
Total net patient service revenue			<u>\$18,558,701</u>	<u>\$17,292,295</u>

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

	Year ended June 30	
	2009	2008
Contractual adjustments		
Medicare	\$ 6,526,128	\$ 6,446,958
Medicaid	1,225,413	1,295,287
Other adjustments	2,928,872	2,427,138
Provision for bad debts	1,051,060	815,115
 Totals	 \$11,731,473	 \$10,984,498

OTHER REVENUE

	Year ended June 30	
	2009	2008
Cafeteria	\$ 37,014	\$ 34,425
Rental income	45,200	46,555
Sale of supplies and drugs	17,879	18,522
Wellness	47,431	38,866
Lifeline	34,150	35,316
Miscellaneous	84,422	52,332
 Totals	 \$ 266,096	 \$ 226,016

Crawford County Memorial Hospital
EXPENSES
Year ended June 30, 2009, with comparative totals for 2008

	<u>2009</u>			<u>2008</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
NURSING SERVICE				
Nursing administration	\$ 246,914	\$ 9,466	\$ 256,380	\$ 241,157
Medical and surgical	936,309	132,856	1,069,165	1,030,295
Obstetrical	201,555	31,662	233,217	209,819
Coronary care	9,607	450	10,057	17,912
Nursery	65,416	2,093	67,509	65,474
Operating room	362,330	380,328	742,658	638,228
Recovery room	18,919	-	18,919	24,013
Delivery room	49,065	8,856	57,921	47,383
Emergency and outpatient service	<u>476,070</u>	<u>1,076,863</u>	<u>1,552,933</u>	<u>1,304,073</u>
Total nursing service	<u>2,366,185</u>	<u>1,642,574</u>	<u>4,008,759</u>	<u>3,578,354</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	313,478	425,411	738,889	677,710
Electrocardiology	48,520	3,582	52,102	51,044
Radiology	271,887	250,120	522,007	447,614
CT scans	46,777	103,379	150,156	219,457
MRI	-	183,279	183,279	203,803
Ultrasound	122,154	45,239	167,393	152,874
Pharmacy	172,929	328,687	501,616	519,770
Anesthesiology	359,130	25,838	384,968	354,529
Respiratory therapy	112,831	101,888	214,719	205,890
Cardiac rehabilitation	40,858	8,548	49,406	40,533
Ambulance	386,229	48,048	434,277	408,779
Physical therapy	296,614	47,713	344,327	313,807
Occupational therapy	32,504	974	33,478	24,157
Speech therapy	5,262	4,914	10,176	11,927
Clinic	2,069,285	1,467,563	3,536,848	2,977,630
Health information management	237,999	114,731	352,730	330,931
Quality assurance	71,196	1,338	72,534	64,143
Utilization review	69,688	280	69,968	66,766
Total other professional service	<u>4,657,341</u>	<u>3,161,532</u>	<u>7,818,873</u>	<u>7,071,364</u>
GENERAL SERVICE				
Dietary	315,611	133,068	448,679	437,836
Plant engineering	278,363	317,851	596,214	668,612
Housekeeping	161,361	34,672	196,033	189,212
Laundry	48,118	5,598	53,716	49,562
Total general service	<u>803,453</u>	<u>491,189</u>	<u>1,294,642</u>	<u>1,345,222</u>

Crawford County Memorial Hospital
EXPENSES (continued)
Year ended June 30, 2009, with comparative totals for 2008

	<u>2009</u>			<u>2008</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Fiscal and administrative service	\$1,170,634	\$ 812,801	\$ 1,983,435	\$ 1,842,489
FICA	-	581,873	581,873	515,565
IPERS	-	531,428	531,428	452,747
Group health and life insurance	-	680,411	680,411	855,402
Insurance	-	<u>371,432</u>	<u>371,432</u>	<u>313,875</u>
Total fiscal and administrative service and unassigned expenses	<u>1,170,634</u>	<u>2,977,945</u>	<u>4,148,579</u>	<u>3,980,078</u>
PROVISION FOR DEPRECIATION	<u>-</u>	<u>1,003,563</u>	<u>1,003,563</u>	<u>1,076,781</u>
Total expenses	<u>\$8,997,613</u>	<u>\$9,276,803</u>	<u>\$18,274,416</u>	<u>\$17,051,799</u>

**Crawford County Memorial Hospital
STATISTICS**

	Year ended June 30	
	2009	2008
PATIENT DAYS		
Medical, surgical and obstetrical	1,949	2,146
Swing bed		
Skilled care	570	710
Intermediate care	17	12
Nursery	261	233
Totals	2,797	3,101
DISCHARGES		
Medical, surgical and obstetrical	733	776
Swing bed		
Skilled care	83	92
Intermediate care	6	4
Nursery	125	109
Totals	947	981
AVERAGE LENGTH OF STAY		
Medical, surgical and obstetrical	2.66	2.77
Swing bed		
Skilled care	6.87	7.72
Intermediate care	2.83	3.00
Nursery	2.09	2.14

**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, 2009, and have issued our report thereon dated November 10, 2009. 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, 2009 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
November 10, 2009

**Crawford County Memorial Hospital
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

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, 2009**

Part II—Findings Related to Required Statutory Reporting

09-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, 2009.

09-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

09-II-C TRAVEL EXPENSES

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

09-II-D BUSINESS TRANSACTIONS

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

09-II-E BOARD MINUTES

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

09-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.