

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa**

FINANCIAL REPORT

June 30, 2009

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**Orange City Municipal Hospital
d/b/a Orange City Area Health System
OFFICIALS
June 30, 2009**

Board of Trustees

Expiration of term

| | |
|-------------------------------|---------------|
| Tim Zeutenhorst, Chairman | January, 2012 |
| Randy Jacobsma, Vice Chairman | January, 2012 |
| Les Douma, Secretary | January, 2010 |
| Brenda Herda | January, 2012 |
| Gary Vande Vegte | January, 2010 |
| Shirley Van Wechel | January, 2012 |
| Russ Adams | January, 2010 |

Administrator

Martin W. Guthmiller

Chief Financial Officer

Dina A. Baas

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

We have audited the accompanying balance sheets of Orange City Municipal Hospital, d/b/a Orange City Area Health System, a component unit of the City of Orange City, Iowa, 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. We have audited the statements of financial position of Orange City Area Health Foundation, a component unit of Orange City Municipal Hospital, as of June 30, 2009 and 2008, and the related statements of activities 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 Orange City Municipal 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. Also, in our opinion, the accompanying statements of financial position of the Orange City Area Health Foundation presents fairly, in all material respects, its financial position 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 our report dated September 15, 2009, on our consideration of Orange City Municipal Hospital's internal control over financial reporting and our test 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.

The management's discussion and analysis on pages 6-11, and schedule of funding progress for the retiree health plan on page 34, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on required supplementary information.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Orange City Municipal Hospital and Orange City Area Health Foundation taken as a whole. Other supplementary information included on pages 36-50 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 our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 15, 2009

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
Management's Discussion and Analysis**

As management of Orange City Area Health System, we offer readers of the financial statements this narrative overview and analysis of the Health System's financial performance during the fiscal years ended June 30, 2009, 2008 and 2007. Please read it in conjunction with the Health System's financial statements, which follow this section.

Financial Highlights

- Total assets decreased by \$457,499 from FY 2008 or .85% to \$53,638,596.
- Total assets whose use is limited increased by \$843,130 from FY 2008 or 12.8%.
- Total fund equity decreased by \$380,524 from FY 2008, primarily due to increase in operating expenses.
- Total long-term debt decreased by \$656,578 from FY 2008.
- Net patient service revenue increased by \$317,037 from FY 2008, primarily due to an increase in patient days, surgical procedures, hospice services, and outpatient therapy and clinic services.
- Expenses increased by \$1,160,149 from FY 2008, which is due to a combined increase in salaries, employee benefits, and provision for bad debts.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Orange City Area Health System. The basic financial statements of the Orange City Area Health Foundation, a component unit, are separately presented. 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 Orange City Area Health System report information of the Health System using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The balance sheet includes all of the Health System's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Health System's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Health System and assessing the liquidity and financial flexibility of the Health System.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in fund equity. This statement measures the success of the Health System operations over the past year and can be used to determine whether the Health System 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. This 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.

Orange City Area Health System's Fund Equity

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

A summary of Orange City Area Health System's balance sheets at June 30, 2009, 2008 and 2007 are presented in Table 1.

Table 1: Assets, Liabilities, and Fund Equity (in Thousands)

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|---------------------|
| Assets: | | | |
| Current assets | \$12,298 | \$10,797 | \$ 8,154 |
| Assets whose use is limited, net of current | 6,406 | 6,139 | 3,752 |
| Capital assets, net | 34,679 | 36,895 | 37,451 |
| Other assets | <u>256</u> | <u>265</u> | <u>368</u> |
| Total assets | <u>\$53,639</u> | <u>\$54,096</u> | <u>\$49,725</u> |
| Liabilities: | | | |
| Long-term debt outstanding | \$25,359 | \$26,016 | \$22,606 |
| Other current and noncurrent liabilities | <u>4,468</u> | <u>3,888</u> | <u>3,814</u> |
| Total liabilities | <u>\$29,827</u> | <u>\$29,904</u> | <u>\$26,420</u> |
| Fund equity: | | | |
| Investment in capital assets, net of related debt | \$ 8,653 | \$10,808 | \$14,265 |
| Restricted | 2,957 | 2,589 | 733 |
| Unrestricted | <u>12,202</u> | <u>10,795</u> | <u>8,307</u> |
| Total fund equity | <u>\$23,812</u> | <u>\$24,192</u> | <u>\$23,305</u> |

Increase in current assets is due to an increase in cash and cash equivalents. The decrease in net capital assets is due to depreciation expense exceeding capital additions during 2009. Table 4, and note 5 of the financial statements, document the net capital activity and ending balances of capital assets for 2009.

Operating Results and Changes in Orange City Area Health System's Fund Equity

The following table presents a summary of revenue and expenses for the fiscal years ended June 30, 2009, 2008 and 2007. In 2009, fund equity decreased by \$380,524 over the prior year. As you can see, this decrease was attributable to nonoperating expenses exceeding operating income.

Table 2: Operating Results and Changes in Fund Equity (in Thousands)

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|-----------------|-----------------|-----------------|
| Operating Revenues: | | | |
| Net patient service revenue | \$32,166 | \$31,849 | \$28,743 |
| Other operating revenue | <u>1,905</u> | <u>1,801</u> | <u>1,590</u> |
| Total operating revenue | <u>34,071</u> | <u>33,650</u> | <u>30,333</u> |
| Operating Expenses: | | | |
| Salaries and benefits | 19,011 | 18,264 | 17,197 |
| Provision for depreciation and amortization | 3,049 | 3,024 | 2,992 |
| Other operating expenses | <u>11,601</u> | <u>11,212</u> | <u>9,667</u> |
| Total operating expenses | <u>33,661</u> | <u>32,500</u> | <u>29,856</u> |
| Operating income | 410 | 1,150 | 477 |
| Nonoperating revenues and expenses: | | | |
| Investment income | 163 | 188 | 165 |
| Interest expense | (1,357) | (1,567) | (1,302) |
| Other nonoperating revenues and expenses, net | <u>(2)</u> | <u>1</u> | <u>5</u> |
| Total nonoperating revenues (expenses) | <u>(1,196)</u> | <u>(1,378)</u> | <u>(1,132)</u> |
| (Deficit) of revenues over expenses before contributions | (786) | (228) | (655) |
| Contributions | <u>406</u> | <u>1,115</u> | <u>765</u> |
| Change in fund equity | (380) | 887 | 110 |
| Total fund equity, beginning | <u>24,192</u> | <u>23,305</u> | <u>23,195</u> |
| Total fund equity, ending | <u>\$23,812</u> | <u>\$24,192</u> | <u>\$23,305</u> |

Operating and Financial Performance

The following summarizes Orange City Area Health System's statement of revenue, expenses and changes in fund equity between June 30, 2009, 2008 and 2007.

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

Volume: Hospital discharges for fiscal year 2009 were 1,064 compared to 1,131 in fiscal year 2008. Average length of stay increased slightly. Patient days decreased from 4,260 to 4,185 in 2009. Volume on the inpatient side decreased during 2009. In 2009, gross inpatient charges decreased from \$7,438,213 to \$7,088,172 in 2009. Gross out patient charges increased from \$30,258,480 to \$32,271,645 in 2009. A 15% increase in outpatient surgeries was the major contributing factor to this increase.

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 for 2009 of \$43,934,033, increased by \$2,082,092 or 8.4% over last year's amount of \$41,851,941.

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 \$11,554,164 in 2009 compared to \$9,723,473 in 2008. This represents 26% of gross patient charges.

The following table displays the percentages of gross charges for patient services by payor for the years ended June 30, 2009, 2008 and 2007.

Table 3: Payor Mix

| | Year ended June 30, | | |
|----------------------|---------------------|---------------|---------------|
| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
| Medicare | 43.8% | 44.7% | 42.6% |
| Wellmark | 25.1% | 23.2% | 25.5% |
| Medicaid | 7.0% | 5.9% | 5.4% |
| Commercial Insurance | 22.1% | 23.5% | 23.8% |
| Self Pay | <u>2.0%</u> | <u>2.7%</u> | <u>2.7%</u> |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Other Revenue

Occupancy at Landsmeer Ridge, an assisted and independent living complex, decreased slightly from 23,397 resident days in 2008 to 23,224 resident days in 2009. In addition, the Hospital leases office space located in the downtown campus to various organizations.

Expenses

Fifty-four percent of Orange City Area Health System's expenses are attributed to salaries and benefits. Total salaries and benefits increased by approximately \$1.0 million, from \$18.4 million to \$19.4 million. Rising health insurance and retirement benefit costs have contributed to this increase.

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, Orange City Area Health System had approximately \$34.7 million invested in capital assets, net of accumulated depreciation, as shown in Table 1. Note 5 to the financial statements provides more detail of changes in property and equipment.

The following table summarizes Orange City Area Health System's capital assets as of June 30, 2009, 2008 and 2007.

Table 4: Capital Assets (in Thousands)

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|------------------|-----------------|-----------------|
| Land | \$ 942 | \$ 942 | \$ 942 |
| Land improvements | 2,332 | 2,317 | 2,205 |
| Buildings | 17,653 | 17,622 | 16,933 |
| Fixed equipment | 23,343 | 23,259 | 21,871 |
| Major moveable equipment | 12,221 | 11,506 | 11,188 |
| Construction in progress | <u>—</u> | <u>13</u> | <u>51</u> |
| Total | 56,491 | 55,659 | 53,190 |
| Less accumulated depreciation and amortization | <u>(21,812)</u> | <u>(18,764)</u> | <u>(15,739)</u> |
| Net property and equipment | <u>\$ 34,679</u> | <u>\$36,895</u> | <u>\$37,451</u> |

Long -Term Debt

At June 30, 2009, Orange City Area Health System had \$26 million in short and long-term debt related primarily to hospital revenue capital loan notes. More detailed information is presented in Note 7 to the Financial Statements.

Performance Compared to Budget

The following table compares fiscal year 2009 actual to budget information.

Table 5: Budget vs. Actual (in Thousands)

| | Budget | Actual | Dollar Variance | Percent Variance |
|---|-------------------|---------------------|-----------------------|---------------------|
| Gross patient service revenue | \$45,413 | \$43,934 | \$(1,479) | (3.3)% |
| Contractual adjustments | (9,911) | (10,197) | (286) | (2.9)% |
| Provision for bad debts | (603) | (1,357) | (754) | (125.0)% |
| Charity care | <u>(358)</u> | <u>(214)</u> | <u>144</u> | <u>40.2%</u> |
| Net patient service revenue | 34,541 | 32,166 | (2,375) | (6.9)% |
| Other operating revenue | <u>1,669</u> | <u>1,905</u> | <u>236</u> | <u>14.1%</u> |
| Total operating revenue | 36,210 | 34,071 | (2,139) | (5.0)% |
| Operating expenses | <u>34,626</u> | <u>33,661</u> | <u>965</u> | <u>2.8%</u> |
| Operating income | 1,584 | 410 | (1,174) | (74.1)% |
| Income from investments | 209 | 163 | (46) | (22.0)% |
| Other nonoperating, including contributions | <u>(888)</u> | <u>(954)</u> | <u>(66)</u> | <u>(7.4)%</u> |
| Excess of revenues over expenses | \$ <u>905</u> | \$ <u>(381)</u> | \$ <u>(1,286)</u> | <u>(142.1)%</u> |

Economic and Other Factors and Next Year’s Budget

Orange City Area Health System’s Board and management considered many factors when setting the fiscal year 2009 budget. Economic forces and environmental factors, such as the following were considered:

- Medicare and Medicaid reimbursement rates
- Commercial insurance and health network reimbursement rates
- The aging of the population in our market area
- Major employers
- Legislation
- Workforce shortages
- Physician recruitment
- Cost of supplies
- Rising pharmaceutical costs
- Technology advancements
- Contribution receivable collections

Contacting Orange City Area Health System’s Finance Department

Orange City Area Health System’s financial statements are designed to present users with a general overview of the finances and to demonstrate Orange City Area Health System’s accountability. If you have any questions about the report or need additional information, please contact the finance department at Orange City Area Health System, 1000 Lincoln Circle SE, Orange City, IA 51041.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
BALANCE SHEETS**

| | June 30 | |
|--|---------------------|---------------------|
| ASSETS | 2009 | 2008 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 6,251,437 | \$ 3,890,495 |
| Assets whose use is limited, required for current liabilities | 1,023,784 | 447,941 |
| Patient receivables, less allowance for contractual adjustments and uncollectible accounts | | |
| 2009 \$2,505,500; 2008 \$2,443,025 | 4,221,111 | 5,182,354 |
| Estimated third-party payor settlements | 152,500 | 583,000 |
| Inventories | 559,333 | 534,151 |
| Prepaid expenses | 89,349 | 159,549 |
| Total current assets | <u>12,297,514</u> | <u>10,797,490</u> |
| ASSETS WHOSE USE IS LIMITED | | |
| Designated by board for plant replacement and expansion | | |
| Cash and cash equivalents | 233,465 | 1,360,782 |
| Certificates of deposit | 3,384,209 | 1,632,195 |
| U.S. Government agency securities | 72,611 | 15,685 |
| Accrued interest receivable | 20,236 | 17,646 |
| | <u>3,710,521</u> | <u>3,026,308</u> |
| Designated by board for deferred compensation | | |
| Mutual funds | 762,396 | 971,851 |
| | <u>762,396</u> | <u>971,851</u> |
| Restricted for payment of revenue notes and interest | | |
| Cash and cash equivalents | 2,949,284 | 2,570,725 |
| | <u>2,949,284</u> | <u>2,570,725</u> |
| Restricted by donors for specific purpose | | |
| Cash | 8,020 | 18,207 |
| Total assets whose use is limited | 7,430,221 | 6,587,091 |
| Less assets whose use is limited and that are required for current liabilities | 1,023,784 | 447,941 |
| Noncurrent assets whose use is limited | <u>6,406,437</u> | <u>6,139,150</u> |
| PROPERTY AND EQUIPMENT | 56,491,383 | 55,658,956 |
| Less accumulated depreciation | 21,812,702 | 18,763,701 |
| Total property and equipment | <u>34,678,681</u> | <u>36,895,255</u> |
| OTHER ASSETS | | |
| Unamortized financing costs | 72,467 | 75,551 |
| Other | 183,497 | 188,649 |
| Total other assets | <u>255,964</u> | <u>264,200</u> |
| Totals | <u>\$53,638,596</u> | <u>\$54,096,095</u> |

See Notes to Financial Statements.

| | | June 30 | |
|---|--|---------------------|---------------------|
| LIABILITIES AND FUND EQUITY | | 2009 | 2008 |
| CURRENT LIABILITIES | | | |
| Current maturities of long-term debt | | \$ 667,000 | \$ 72,000 |
| Accounts payable | | 817,578 | 800,523 |
| Accrued payroll and vacation pay | | 1,611,682 | 1,472,175 |
| Payroll taxes | | 91,707 | 76,211 |
| Accrued interest payable | | 447,941 | 447,941 |
| Deposits | | 53,500 | 47,500 |
| | | <u>3,689,408</u> | <u>2,916,350</u> |
| LONG-TERM DEBT | | | |
| Hospital revenue capital loan notes | | 25,810,083 | 25,799,661 |
| Rural economic development loan | | <u>216,000</u> | <u>288,000</u> |
| | | 26,026,083 | 26,087,661 |
| Less current maturities | | <u>667,000</u> | <u>72,000</u> |
| Total long-term debt | | <u>25,359,083</u> | <u>26,015,661</u> |
| OTHER LIABILITIES | | | |
| Deferred compensation liability | | 762,396 | 971,851 |
| Other post-employment benefits | | <u>16,000</u> | <u>-</u> |
| Total other liabilities | | <u>778,396</u> | <u>971,851</u> |
| Total liabilities | | 29,826,887 | 29,903,862 |
| COMMITMENTS AND CONTINGENCIES | | | |
| FUND EQUITY | | | |
| Invested in capital assets, net of related debt | | 8,652,598 | 10,807,594 |
| Restricted | | 2,957,304 | 2,588,932 |
| Unrestricted | | <u>12,201,807</u> | <u>10,795,707</u> |
| Total fund equity | | <u>23,811,709</u> | <u>24,192,233</u> |
| | | <u>53,638,596</u> | <u>54,096,095</u> |
| Totals | | <u>\$53,638,596</u> | <u>\$54,096,095</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**

| | Year ended June 30 | |
|--|-----------------------------|-----------------------------|
| | 2009 | 2008 |
| NET PATIENT SERVICE REVENUE , net of provisions for bad debts 2009 \$1,357,140; 2008 \$663,335 | \$32,166,074 | \$31,849,037 |
| OTHER REVENUE | <u>1,904,902</u> | <u>1,801,451</u> |
| Total revenue | <u>34,070,976</u> | <u>33,650,488</u> |
| EXPENSES | | |
| Nursing service | 8,782,104 | 8,413,513 |
| Other professional service | 13,622,613 | 13,405,734 |
| General service | 1,797,305 | 1,692,117 |
| Fiscal and administrative service and unassigned expenses | 6,409,922 | 5,965,257 |
| Provision for depreciation | <u>3,049,001</u> | <u>3,024,175</u> |
| Total expenses | <u>33,660,945</u> | <u>32,500,796</u> |
| Operating income | <u>410,031</u> | <u>1,149,692</u> |
| NONOPERATING GAINS (LOSSES) | | |
| Investment income | 163,312 | 187,977 |
| Interest and amortization expense | (1,357,328) | (1,567,446) |
| Nonoperating income from auxiliary activity, net | (10,187) | (1,740) |
| Unrestricted contributions | <u>8,033</u> | <u>3,008</u> |
| Total nonoperating gains (losses) | <u>(1,196,170)</u> | <u>(1,378,201)</u> |
| (Deficit) of revenues over expenses before contributions | (786,139) | (228,509) |
| CONTRIBUTIONS | | |
| Change in fund equity | <u>405,615</u> (380,524) | <u>1,115,594</u> 887,085 |
| TOTAL FUND EQUITY | | |
| Beginning | <u>24,192,233</u> | <u>23,305,148</u> |
| Ending | <u>\$23,811,709</u> | <u>\$24,192,233</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
STATEMENTS OF CASH FLOWS**

| | Year ended June 30 | |
|--|---------------------------|----------------------|
| | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from patients and third-party payors | \$33,557,817 | \$31,042,772 |
| Cash paid to suppliers for goods and services | (11,567,987) | (11,390,212) |
| Cash paid to employees for services | (18,805,521) | (17,923,043) |
| Other operating revenue received | <u>1,910,695</u> | <u>1,810,426</u> |
| Net cash provided by operating activities | <u>5,095,004</u> | <u>3,539,943</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Nonoperating income from auxiliary activities, net | (10,187) | (1,740) |
| Unrestricted contributions received | <u>8,033</u> | <u>3,008</u> |
| Net cash provided by (used in) noncapital financing activities | <u>(2,154)</u> | <u>1,268</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of property and equipment | (832,427) | (396,349) |
| Proceeds from revenue capital loan notes | - | 2,027,552 |
| Principal paid on long-term debt | (72,000) | (962,310) |
| Restricted contributions | 405,615 | 773,200 |
| Payment of loan costs | - | (77,093) |
| Interest paid on long-term debt | <u>(1,343,823)</u> | <u>(848,809)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>(1,842,635)</u> | <u>516,191</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of certificates of deposit | (3,292,825) | (1,405,097) |
| Proceeds from maturities of certificates of deposit | 1,540,811 | 1,437,410 |
| Purchase of U.S. Government Securities | (58,675) | - |
| Proceeds from maturity of U.S. Government Securities | 1,749 | 72,376 |
| Interest received | <u>160,722</u> | <u>185,073</u> |
| Net cash provided by (used in) investing activities | <u>(1,648,218)</u> | <u>289,762</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,601,997 | 4,347,164 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | <u>7,840,209</u> | <u>3,493,045</u> |
| Ending | <u>\$ 9,442,206</u> | <u>\$ 7,840,209</u> |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Property and equipment contributed from Orange City Area Health Foundation | \$ <u> -</u> | \$ <u>2,072,585</u> |
| Note payable transferred from Orange City Area Health Foundation in conjunction with property and equipment contribution | \$ <u> -</u> | \$ <u>1,730,191</u> |
| Capital loan note proceeds used to refinance existing long-term debt | \$ <u> -</u> | \$ <u>23,714,105</u> |
| Capital loan note proceeds used to pay interest on long-term debt | \$ <u> -</u> | \$ <u>49,979</u> |

See Notes to Financial Statements.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
STATEMENTS OF CASH FLOWS (continued)**

| | <u>Year ended June 30</u> | |
|---|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ 410,031 | \$1,149,692 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Provision for depreciation | 3,049,001 | 3,024,175 |
| Education assistance advances | (12,047) | (9,882) |
| Education assistance advances forgiven | 10,115 | 11,235 |
| Physician advances, net of refunds | (80,000) | (30,000) |
| Physician advances forgiven | 87,292 | 32,500 |
| Changes in assets and liabilities | | |
| (Increase) decrease in patient receivables | 961,243 | (898,265) |
| Decrease in estimated third-party payor settlements | 430,500 | 92,000 |
| (Increase) in other receivables, net of nonoperating activities | (207) | (2,025) |
| (Increase) decrease in inventories | (25,182) | 4,297 |
| Decrease in prepaid expenses | 70,200 | 14,609 |
| Increase (decrease) in accounts payable, net of amounts for property and equipment | 17,055 | (10,551) |
| Increase in other post-employment benefits | 16,000 | - |
| Increase in accrued payroll and vacation pay | 139,507 | 148,425 |
| Increase in payroll taxes | 15,496 | 7,733 |
| Increase in deposits | <u>6,000</u> | <u>6,000</u> |
| Net cash provided by operating activities | <u>\$5,095,004</u> | <u>\$3,539,943</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE BALANCE SHEETS | | |
| Per balance sheets | | |
| Current assets, cash and cash equivalents | \$6,251,437 | \$3,890,495 |
| Assets whose use is limited | | |
| Designated by board for plant replacement and expansion | 233,465 | 1,360,782 |
| Restricted for payment of revenue notes and interest | 2,949,284 | 2,570,725 |
| Restricted by donors for specific purpose | <u>8,020</u> | <u>18,207</u> |
| Total per statements of cash flows | <u>\$9,442,206</u> | <u>\$7,840,209</u> |

See Notes to Financial Statements.

Orange City Area Health Foundation
(A Component Unit of Orange City Municipal Hospital)
STATEMENTS OF FINANCIAL POSITION

| | June 30 | |
|---|-------------------|-------------------|
| ASSETS | 2009 | 2008 |
| Cash | \$ 72,500 | \$ 23,259 |
| Certificates of deposit | 19,827 | 19,204 |
| Capital campaign contributions receivable, net of allowance 2009 \$40,000; 2008 \$65,000 | 41,313 | 398,292 |
| Property and equipment | 197,337 | 197,337 |
| Other | <u>3,084</u> | <u>6,455</u> |
| Total assets | <u>\$ 334,061</u> | <u>\$ 644,547</u> |
| LIABILITIES AND NET ASSETS | | |
| NET ASSETS | | |
| Unrestricted | \$ 282,748 | \$ 246,255 |
| Temporarily restricted | <u>51,313</u> | <u>398,292</u> |
| Total net assets | <u>334,061</u> | <u>644,547</u> |
| Total liabilities and net assets | <u>\$ 334,061</u> | <u>\$ 644,547</u> |

See Notes to Financial Statements.

Orange City Area Health Foundation
(A Component Unit of Orange City Municipal Hospital)
STATEMENTS OF ACTIVITIES

| | <u>Year ended June 30, 2009</u> | | | <u>Year ended June 30, 2008</u> | | |
|--|---------------------------------|-----------------------------------|-------------------|---------------------------------|-----------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ — | \$ 101,156 | \$ 101,156 | \$ — | \$ 318,427 | \$ 318,427 |
| Interest income | 704 | — | 704 | 1,337 | — | 1,337 |
| Rental income | — | — | — | 57,036 | — | 57,036 |
| Other | 4,258 | — | 4,258 | 4,443 | — | 4,443 |
| Net assets released from restrictions | <u>448,135</u> | <u>(448,135)</u> | <u>—</u> | <u>738,700</u> | <u>(738,700)</u> | <u>—</u> |
| Total support and revenue | <u>453,097</u> | <u>(346,979)</u> | <u>106,118</u> | <u>801,516</u> | <u>(420,273)</u> | <u>381,243</u> |
| EXPENSES | | | | | | |
| Contributions | <u>407,770</u> | <u>—</u> | <u>407,770</u> | <u>1,123,643</u> | <u>—</u> | <u>1,123,643</u> |
| Supporting services | | | | | | |
| Management and general | | | | | | |
| Property taxes | 448 | — | 448 | 482 | — | 482 |
| Interest expense | — | — | — | 50,744 | — | 50,744 |
| Depreciation and amortization | <u>—</u> | <u>—</u> | <u>—</u> | <u>65,085</u> | <u>—</u> | <u>65,085</u> |
| Total management and general | <u>448</u> | <u>—</u> | <u>448</u> | <u>116,311</u> | <u>—</u> | <u>116,311</u> |
| Fundraising | | | | | | |
| Postage and shipping | — | — | — | 750 | — | 750 |
| Fundraising event | <u>8,386</u> | <u>—</u> | <u>8,386</u> | <u>10,101</u> | <u>—</u> | <u>10,101</u> |
| Total fundraising | <u>8,386</u> | <u>—</u> | <u>8,386</u> | <u>10,851</u> | <u>—</u> | <u>10,851</u> |
| Total expenses | <u>416,604</u> | <u>—</u> | <u>416,604</u> | <u>1,250,805</u> | <u>—</u> | <u>1,250,805</u> |
| CHANGE IN NET ASSETS | <u>36,493</u> | <u>(346,979)</u> | <u>(310,486)</u> | <u>(449,289)</u> | <u>(420,273)</u> | <u>(869,562)</u> |
| NET ASSETS , beginning of year | <u>246,255</u> | <u>398,292</u> | <u>644,547</u> | <u>695,544</u> | <u>818,565</u> | <u>1,514,109</u> |
| NET ASSETS , end of year | <u>\$ 282,748</u> | <u>\$ 51,313</u> | <u>\$ 334,061</u> | <u>\$ 246,255</u> | <u>\$ 398,292</u> | <u>\$ 644,547</u> |

See Notes to Financial Statements.

Orange City Area Health Foundation
(A Component Unit of Orange City Municipal Hospital)
STATEMENTS OF CASH FLOWS

| | Year ended June 30 | |
|--|---------------------------|--------------------|
| | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (310,486) | \$ (869,562) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | — | 65,085 |
| Decrease in capital campaign contributions receivable | 356,979 | 420,273 |
| Loss on disposal of property and equipment | — | 342,394 |
| Decrease in other assets | 3,371 | 3,058 |
| Increase (decrease) in accounts payable, Orange City Municipal Hospital | — | (1,835) |
| Net cash provided by (used in) operating activities | <u>49,864</u> | <u>(40,587)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of certificates of deposit | <u>(623)</u> | <u>(838)</u> |
| Net cash (used in) investing activities | <u>(623)</u> | <u>(838)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on note payable | <u>—</u> | <u>(3,631)</u> |
| Net cash (used in) financing activities | <u>—</u> | <u>(3,631)</u> |
| NET INCREASE (DECREASE) IN CASH | 49,241 | (45,056) |
| CASH | | |
| Beginning | <u>23,259</u> | <u>68,315</u> |
| Ending | <u>\$ 72,500</u> | <u>\$ 23,259</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest | <u>\$ —</u> | <u>\$ 50,744</u> |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Property and equipment, net of accumulated depreciation, contributed to the Orange City Area Health System | <u>\$ —</u> | <u>\$2,072,585</u> |
| Note payable transferred to the Orange City Area Health System in conjunction with property and equipment contribution | <u>\$ —</u> | <u>\$1,730,191</u> |

See Notes to Financial Statements.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hospital is the municipal hospital of the City of Orange City, Iowa, organized under Chapter 392, Code of Iowa and as such is not subject to taxes on income or certain property.

For financial reporting purposes, Orange City Municipal Hospital, d/b/a Orange City Area Health System has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital has 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. For the fiscal years ended June 30, 2009 and 2008, Orange City Municipal Hospital has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Orange City Area Health Foundation. The Foundation's financial statements are separately presented on pages 17-19.

The Hospital is includable as a component unit within the City of Orange City, Iowa reporting entity due to fiscal dependence.

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.

Orange City Area Health Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Foundation operations.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets. The Foundation had \$51,313 of temporarily restricted net assets at June 30, 2009. These net assets are to be used for the benefit of the Hospital.

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation had no permanently restricted net assets at June 30, 2009.

Accounting Estimates and Assumptions

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

Investments and Investment Income

The Hospital's investments and the methods used in determining the reported amounts are as follows:

| <u>Type</u> | <u>Method</u> |
|--|--|
| Interest-earning investment contracts Nonnegotiable certificates of deposit | Cost |
| Open-end mutual funds Iowa Public Agency Investment Trust (IPAIT) (governmental external investment pool registered as an investment company) Publicly traded mutual funds | Amortized cost Fair value based on quoted market prices |
| Debt securities Negotiable certificates of deposit and U.S. Government Agency Securities Maturity of one year or less when purchased Maturity of more than one year when purchased | Amortized cost Fair value based on quoted market prices |

The nonnegotiable certificates of deposit and U.S. Government Agency Securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

Investment income includes interest income and the net increase (decrease) in the fair value of investments which includes realized and unrealized gains and losses on investments. Investment income is reported as nonoperating gains.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for Hospital operations are recorded as additions at fair value at the date of receipt.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Depreciation is computed using these asset lives:

| | |
|-------------------------------|---------------|
| Land improvements | 5 to 20 years |
| Buildings and fixed equipment | 5 to 40 years |
| Major movable equipment | 5 to 25 years |

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Contributions Receivable

Unconditional contributions receivable are recorded as receivables and revenues in the year received.

Contributions

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Foundation's Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Fund Equity

Fund equity is presented in the following three components:

Invested in capital assets, net of related debt

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

Restricted fund equity

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

Unrestricted fund equity

Unrestricted fund equity has no externally imposed restrictions on use.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows the Hospital considers all cash accounts and the IPAIT amount to be cash equivalents.

Statements of 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. Operating expenses are all expenses incurred to provide health care services.

Net Patient Service Revenue

Patient service revenue is reported at the Hospital's established rates. 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.

Credit Policy

The Hospital grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

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.

Costs of Borrowing

Deferred financing costs are amortized over the period the obligation is outstanding using the straight-line method.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits at June 30, 2009, which include bank balances, negotiable and nonnegotiable certificates of deposit, were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C 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; warrants or improvement certificates of a drainage district; and common stocks.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH AND INVESTMENTS (continued)

The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2009, the Hospital's investments are reported at fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

| | <u>Maturities</u> | |
|---|---------------------|--------------------|
| Investments | | |
| Edward D. Jones & Co., money market funds | Daily | \$ 5,116 |
| Negotiable certificates of deposit | 12/31/09 - 05/14/12 | 325,000 |
| U.S. Government agency securities | 01/15/15 - 11/01/31 | 72,611 |
| Mutual funds | Daily | 762,396 |
| Iowa Public Agency Investment Trust | Daily | <u>3,176,997</u> |
| Totals | | <u>\$4,342,120</u> |

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

NOTE 3 ASSETS RESTRICTED FOR PAYMENT OF CAPITAL LOAN NOTES AND INTEREST

Assets restricted for payment of capital loan notes and interest are required to be funded by the note resolutions. However, this does not apply to the Series 2006 Capital loan notes. The resolutions require, among other things, the maintenance of the "Hospital Revenue Note and Interest Sinking Fund" (the Sinking Fund) and the "Hospital Revenue Debt Service Reserve Fund" (the Reserve Fund). A balance of \$1,925,000 must be maintained in the Reserve Fund while minimum monthly payments to the Sinking Fund equal to one-twelfth of the principal of all notes maturing on the next June 1 plus one-sixth of the interest due on the next interest payment date on all of the outstanding notes are required. Following are the changes in these assets:

| | <u>Year ended June 30, 2009</u> | | | <u>Year ended June 30, 2008</u> | | |
|-------------------------------|---------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|--------------------|
| | <u>Reserve Fund</u> | <u>Sinking Fund</u> | <u>Total</u> | <u>Reserve Fund</u> | <u>Sinking Fund</u> | <u>Total</u> |
| BALANCE , beginning | \$1,925,500 | \$ 645,225 | \$2,570,725 | \$ 670,000 | \$ 43,310 | \$ 713,310 |
| Transfers from current assets | | | | | | |
| cash and cash equivalents | - | 1,700,823 | 1,700,823 | - | 300,805 | 300,805 |
| Proceeds from revenue notes | - | - | - | 1,255,500 | 670,000 | 1,925,500 |
| Interest income | - | 21,559 | 21,559 | - | 21,767 | 21,767 |
| Payment of notes and interest | - | (1,343,823) | (1,343,823) | - | (390,657) | (390,657) |
| BALANCE , ending | <u>\$1,925,500</u> | <u>\$1,023,784</u> | <u>\$2,949,284</u> | <u>\$1,925,500</u> | <u>\$ 645,225</u> | <u>\$2,570,725</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

| | <u>June 30</u> | |
|---|--------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| Receivable from patients | \$1,723,364 | \$1,190,535 |
| Receivable from insurance carriers | 2,927,296 | 3,684,759 |
| Receivable from Medicare | 1,581,419 | 2,114,737 |
| Receivable from Medicaid | <u>494,532</u> | <u>635,348</u> |
| Total patient receivables | 6,726,611 | 7,625,379 |
| Less allowances for contractual and other adjustments | <u>(2,505,500)</u> | <u>(2,443,025)</u> |
| Totals | <u>\$4,221,111</u> | <u>\$5,182,354</u> |

NOTE 5 PROPERTY AND EQUIPMENT

A summary of changes in the Hospital's property and equipment for the year ended June 30, 2009 and 2008 follows:

| | <u>Balance July 1, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2009</u> |
|---|-------------------------------------|----------------------|------------------|------------------|--------------------------------------|
| Land | \$ 942,036 | \$ - | \$ - | \$ - | \$ 942,036 |
| Land improvements | 2,316,854 | 15,355 | - | - | 2,332,209 |
| Buildings | 17,622,259 | 30,600 | - | - | 17,652,859 |
| Fixed equipment | 23,258,867 | - | - | 83,983 | 23,342,850 |
| Major movable equipment | 11,505,801 | 687,134 | - | 28,494 | 12,221,429 |
| Construction in progress | <u>13,139</u> | <u>99,338</u> | <u>-</u> | <u>(112,477)</u> | <u>-</u> |
| Totals | 55,658,956 | 832,427 | - | - | 56,491,383 |
| Less accumulated depreciation and amortization | <u>(18,763,701)</u> | <u>(3,049,001)</u> | <u>-</u> | <u>-</u> | <u>(21,812,702)</u> |
| Net property and equipment | <u>\$36,895,255</u> | <u>\$(2,216,574)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$34,678,681</u> |

| | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2008</u> |
|---|-------------------------------------|--------------------|------------------|------------------|--------------------------------------|
| Land | \$ 942,036 | \$ - | \$ - | \$ - | \$ 942,036 |
| Land improvements | 2,204,665 | 112,189 | - | - | 2,316,854 |
| Buildings | 16,932,930 | 689,329 | - | - | 17,622,259 |
| Fixed equipment | 21,871,266 | 1,295,166 | - | 92,435 | 23,258,867 |
| Major movable equipment | 11,188,340 | 286,260 | - | 31,201 | 11,505,801 |
| Construction in progress | <u>50,784</u> | <u>85,991</u> | <u>-</u> | <u>(123,636)</u> | <u>13,139</u> |
| Totals | 53,190,021 | 2,468,935 | - | - | 55,658,956 |
| Less accumulated depreciation and amortization | <u>(15,739,526)</u> | <u>(3,024,175)</u> | <u>-</u> | <u>-</u> | <u>(18,763,701)</u> |
| Net property and equipment | <u>\$37,450,495</u> | <u>\$(555,240)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$36,895,255</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 PROPERTY AND EQUIPMENT (continued)

A summary of changes in the Foundation's property and equipment for the year ended June 30, 2009 and 2008 follows:

| | <u>Balance July 1, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2009</u> |
|---|-------------------------------------|--------------------|--------------------|------------------|--------------------------------------|
| Land | \$ <u>197,337</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>197,337</u> |
| | | | | | |
| | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2008</u> |
| Land | \$ 197,337 | \$ — | \$ — | \$ — | \$ 197,337 |
| Land improvements | 121,276 | — | 121,276 | — | — |
| Buildings | 678,289 | — | 678,289 | — | — |
| Fixed equipment | <u>1,407,733</u> | <u>—</u> | <u>1,407,733</u> | <u>—</u> | <u>—</u> |
| Totals | 2,404,635 | — | 2,207,298 | — | 197,337 |
| Less accumulated depreciation and amortization | <u>(96,928)</u> | <u>(65,085)</u> | <u>162,013</u> | <u>—</u> | <u>—</u> |
| Net property and equipment | <u>\$2,307,707</u> | <u>\$ (65,085)</u> | <u>\$2,045,285</u> | <u>\$ —</u> | <u>\$ 197,337</u> |

NOTE 6 CONTRIBUTIONS RECEIVABLE

At June 30, 2009 the Foundation's contributions receivable consisted of contributions pledged for the health campus. An allowance has been established to offset future uncollectible contributions and has been estimated by management to be \$40,000 as of June 30, 2009.

A summary of the activity in contributions receivable for the year ended June 30, 2009 is as follows:

| | |
|--|------------------|
| Beginning contributions receivable | \$ 398,292 |
| Contributions made during the year | 23,014 |
| Payments received | (404,993) |
| Decrease in allowance for uncollectible contributions receivable | <u>25,000</u> |
| Ending contributions receivable | <u>\$ 41,313</u> |

Contributions receivable at June 30, 2009, are expected to be received as follows:

| | |
|--|------------------|
| Year ending June 30, 2009 | \$ 81,313 |
| Less allowance on contributions receivable | <u>(40,000)</u> |
| Total | <u>\$ 41,313</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG-TERM DEBT

The City Council of Orange City adopted a resolution authorizing obtaining a \$360,000 subordinate Hospital Revenue Capital Loan Notes, Series 2006. The note is secured by a related security agreement and real estate mortgage, and is to be repaid in quarterly installments of \$18,000. The note is noninterest bearing and the outstanding balance at June 30, 2009 is \$216,000.

The City Council of Orange City adopted a resolution authorizing the issuance of \$6,800,000 of Hospital Revenue Capital Loan Notes Series 2007 dated December 13, 2007, to refinance existing indebtedness. The notes mature serially through September 1, 2021, with interest payable on March 1 and September 1 at annual rates varying from 3.50% - 4.65%. Notes maturing after September 1, 2016 may be called for redemption, by the issuer and paid before maturity on said date or any date thereafter. The balance outstanding at June 30, 2009 is \$6,800,000.

The City Council of Orange City adopted a resolution authorizing the issuance of \$19,255,000 of Hospital Revenue Capital Loan Notes Series 2008 dated January 8, 2008, to refinance existing indebtedness. The notes mature serially through September 1, 2032, with interest payable on March 1 and September 1 at annual rates varying from 5.50% to 5.60%. Notes maturing after September 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole from time to time in part, in any order at maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to the date of call. The balance outstanding at June 30, 2009 is \$19,255,000.

As to the capital loan notes, the Hospital has pledged all future revenues, net of certain operating expenses, to repay the principal and interest and do not constitute an indebtedness of the City. The net revenues are pledged through September, 2032. As of June 30, 2009 the remaining principal and interest on the Series 2008 and 2007 was \$46,268,083, net of unamortized discount of \$244,917. The following is a comparison of the pledged net revenues and the principal and interest requirements of the Capital Loan Notes for the years ended June 30, 2009 and 2008:

| | <u>Year ended June 30</u> | |
|--|---------------------------|------------------------|
| | <u>2009</u> | <u>2008</u> |
| Change in fund equity | \$ (380,524) | \$ 887,085 |
| Provision for depreciation | 3,049,001 | 3,024,175 |
| Interest and amortization expense | <u>1,357,328</u> | <u>1,567,446</u> |
| Pledged net revenues | <u>\$4,025,805</u> | <u>\$5,478,706</u> |
| Principal and interest requirements | | |
| Capital Loan Notes, Series 1997B | \$ — | \$ 427,708 |
| Capital Loan Notes, Series 2006 | — | 681,347 |
| Capital Loan Notes, Series 2007 | 276,383 | 55,277 |
| Capital Loan Notes, Series 2008 | 1,067,440 | 136,395 |
| Subordinate Capital Loan Note, Series 2006 | <u>72,000</u> | <u>72,000</u> |
| Totals | <u>\$1,415,823</u> | <u>\$1,372,727</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG-TERM DEBT (continued)

The following summarizes the maturities of long-term debt:

| | Subordinate revenue capital loan note | | Revenue notes payable | | Total |
|---------------------------|--|-----------------|------------------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| Year ending June 30 | | | | | |
| 2010 | \$ 72,000 | \$ — | \$ 595,000 | \$ 1,331,660 | \$ 1,998,660 |
| 2011 | 72,000 | — | 620,000 | 1,306,689 | 1,998,689 |
| 2012 | 72,000 | — | 650,000 | 1,280,328 | 2,002,328 |
| 2013 | — | — | 675,000 | 1,252,443 | 1,927,443 |
| 2014 | — | — | 705,000 | 1,222,888 | 1,927,888 |
| 2015 to 2019 | — | — | 4,040,000 | 5,603,035 | 9,643,035 |
| 2020 to 2024 | — | — | 5,130,000 | 4,505,928 | 9,635,928 |
| 2025 to 2029 | — | — | 6,725,000 | 2,908,613 | 9,633,613 |
| 2030 to 2033 | — | — | 6,915,000 | 801,500 | 7,716,500 |
| Total | <u>216,000</u> | <u>—</u> | <u>26,055,000</u> | <u>20,213,084</u> | <u>46,484,084</u> |
| Less unamortized discount | <u>—</u> | <u>—</u> | <u>(244,917)</u> | <u>—</u> | <u>(244,917)</u> |
| Totals | <u>\$ 216,000</u> | <u>\$ —</u> | <u>\$25,810,083</u> | <u>\$20,213,084</u> | <u>\$46,239,167</u> |

Long-term debt activity for the years ended June 30, 2009 and 2008 follows:

| | Beginning balance | Additions | Reductions | Ending balance | Amounts due within one year |
|--|------------------------------|---------------------|---------------------|---------------------------|--|
| 2009 | | | | | |
| Hospital revenue notes | \$26,055,000 | \$ — | \$ — | \$26,055,000 | \$ 595,000 |
| Subordinate Hospital Revenue Capital Loan Note | <u>288,000</u> | <u>—</u> | <u>72,000</u> | <u>216,000</u> | <u>72,000</u> |
| Totals | <u>\$26,343,000</u> | <u>\$ —</u> | <u>\$ 72,000</u> | <u>\$26,271,000</u> | <u>\$ 667,000</u> |
| 2008 | | | | | |
| Hospital revenue notes | \$ 3,190,000 | \$26,055,000 | \$ 3,190,000 | \$26,055,000 | \$ — |
| Taxable Subordinate Hospital Revenue Capital Loan Notes | 19,684,224 | — | 19,684,224 | — | — |
| Subordinate Hospital Revenue Capital Loan Note | <u>360,000</u> | <u>—</u> | <u>72,000</u> | <u>288,000</u> | <u>72,000</u> |
| Totals | <u>\$23,234,224</u> | <u>\$26,055,000</u> | <u>\$22,946,224</u> | <u>\$26,343,000</u> | <u>\$ 72,000</u> |

NOTE 8 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.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2009, plan members were required to contribute 4.10% of their annual salary and the Hospital is 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 \$941,174, \$847,707 and \$785,154, respectively, equal to the required contributions for each year.

NOTE 9 EMPLOYEE BENEFITS

The Hospital has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$40,000 per person and approximately \$1,970,000 in the aggregate per plan year. Expense under this self-insurance program for the years ended June 30, 2009 and 2008 was \$1,803,452 and \$1,562,031, respectively, which includes program administration expenses.

In 2002, the Hospital established a Key Employee Share Option Program (KEYSOP) which is a nonqualified voluntary contributory savings plan for certain employees. During the year ended June 30, 2003, the Hospital established a Voluntary Deferral Plan which is also a nonqualified voluntary contributory savings plan for certain employees. Under these programs the Hospital purchases and holds investment assets, recorded at fair value, equal to the participant's voluntary contributions. As a result, the Hospital has recorded an asset and an equal corresponding liability of \$762,396 and \$971,851 to reflect the fair value of these program assets as of June 30, 2009 and 2008, respectively, and related liability to participants.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

The Hospital has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The Hospital operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are 252 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefit plan is self-insured and is administered by a third party. Retirees under age 65 pay 100% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Hospital. The Hospital currently finances the retiree benefit plan on a pay-as-you-go basis.

The Hospital's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Hospital, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation:

| | |
|--|------------------|
| Annual required contribution, ARC | \$ 16,000 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | <u>16,000</u> |
| Contributions made | - |
| Increase in net OPEB obligation | <u>16,000</u> |
| Net OPEB obligation, beginning of year | <u>-</u> |
| Net OPEB obligation, end of year | <u>\$ 16,000</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the Hospital contributed \$-0- to the plan. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

| <u>Fiscal year ended</u> | <u>Annual OPEB cost</u> | <u>Percentage of annual OPEB cost contributed</u> | <u>Net OPEB obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| June 30, 2009 | \$ <u>16,000</u> | <u>0%</u> | \$ <u>16,000</u> |

As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was approximately \$95,500 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$95,500. As of June 30, 2009, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the Hospital's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are based on the RP-2000 Combined Mortality Rates, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries. They were adjusted to reflect the recent lower termination rates experienced by the Hospital. Retirement rates used in the actuarial valuation were developed based upon recent Hospital experience.

Projected weighted average claim costs of the medical plan are approximately \$750 per month for retirees. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 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 for institutional claims and \$1,000,000 per claim and \$3,000,000 in the aggregate for physician claims.

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 12 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, 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 a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

Other

The Hospital also has payment agreements with Wellmark and other certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates and discounts from established charges.

NOTE 13 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>213,795</u> | \$ <u>279,431</u> |
| Equivalent percentage of charity care patients to all patients served | <u>0.5%</u> | <u>0.7%</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 HOSPITAL 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 for the past three years.

NOTE 15 LEASE COMMITMENT AND SPACE LEASED TO OTHERS

The Hospital leases MRI medical equipment under a non-cancelable lease. The lease calls for forty-four monthly payments of \$23,295, beginning in May 2006, through the end of the lease. The minimum rental commitments for the years ending June 30 are as follows: 2010 \$279,546; 2011 \$139,773.

The Hospital, through various agreements, leases office space within the downtown campus to various organizations. The leases, which are for various terms, each call for lease rents per tenant, subject to certain modifications during the lease period. Other revenue for the years ended June 30, 2009 and 2008 included \$136,128 and \$120,701, respectively, of aggregate rental income under the lease agreements.

NOTE 16 ORANGE CITY AREA HEALTH FOUNDATION

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Orange City Area Health Foundation is a component unit of the Hospital. The Orange City Area Health Foundation has been established to raise funds to support the operations and other activities of the Orange City Municipal Hospital. The Foundation has received funds and secured significant contribution commitments in a capital campaign to benefit the Hospital's construction of a replacement campus. And as such, the Foundation is considered to be a component unit of the Hospital based upon the significance of this capital campaign and the related benefit to the Hospital. The Foundation made restricted contributions of \$405,615 and \$1,115,594 to the Hospital for the years ended June 30, 2009 and 2008, respectively. The Foundation's audited statements of financial position as of June 30, 2009 and 2008, and audited statement of activities and cash flows for the years then ended, are included on pages 17 - 19.

REQUIRED SUPPLEMENTARY INFORMATION

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)**

Required Supplementary Information

| <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded ratio (a/b)</u> | <u>Covered payroll (c)</u> | <u>UAAL as a percentage of covered payroll ((b - a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| July 1, 2008 | \$ <u>—</u> | <u>\$95.5</u> | <u>\$95.5</u> | <u>0.0%</u> | <u>\$16,229</u> | <u>0.6%</u> |

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
AGE 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> |
| HOSPITAL PATIENTS | | | | |
| 0 - 30 days | \$2,836,402 | \$2,782,819 | 48.84% | 41.65% |
| 31 - 60 days | 898,510 | 978,012 | 15.47 | 14.63 |
| 61 - 90 days | 360,165 | 531,222 | 6.20 | 7.95 |
| 91 - 180 days | 347,341 | 692,707 | 5.98 | 10.36 |
| Over 6 months | <u>1,365,318</u> | <u>1,698,490</u> | <u>23.51</u> | <u>25.41</u> |
| Totals | <u>5,807,736</u> | <u>6,683,250</u> | <u>100.00%</u> | <u>100.00%</u> |
| CLINIC PATIENTS | | | | |
| 0 - 30 days | 552,228 | 566,418 | 60.10% | 60.13% |
| 31 - 60 days | 123,584 | 141,359 | 13.45 | 15.00 |
| 61 - 90 days | 75,603 | 74,630 | 8.23 | 7.92 |
| Over 91 days | <u>167,460</u> | <u>159,722</u> | <u>18.22</u> | <u>16.95</u> |
| Totals | <u>918,875</u> | <u>942,129</u> | <u>100.00%</u> | <u>100.00%</u> |
| Allowances | | | | |
| Uncollectible accounts | 1,353,000 | 1,075,000 | | |
| Contractual adjustments | <u>1,152,500</u> | <u>1,368,025</u> | | |
| Total allowances | <u>2,505,500</u> | <u>2,443,025</u> | | |
| Totals | <u>\$4,221,111</u> | <u>\$5,182,354</u> | | |

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

| | <u>Year ended June 30</u> | |
|---|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| BALANCE , beginning | \$1,075,000 | \$ 935,500 |
| Provision for bad debts | 1,357,140 | 663,335 |
| Recoveries of accounts written off previously | 169,449 | 59,406 |
| Accounts written off | <u>(1,248,589)</u> | <u>(583,241)</u> |
| BALANCE , ending | <u>\$1,353,000</u> | <u>\$1,075,000</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
INVENTORIES**

| | June 30 | |
|-----------------|----------------|----------------|
| | 2009 | 2008 |
| General stores | \$ 289,330 | \$ 252,958 |
| Central supply | 48,656 | 57,078 |
| Operating room | 136,716 | 129,979 |
| Radiology | 6,524 | 6,862 |
| Medical clinics | 41,642 | 47,594 |
| Laboratory | 36,465 | 39,680 |
| Totals | \$ 559,333 | \$ 534,151 |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
INSURANCE COVERAGE
June 30, 2009**

| | |
|--|------------------------------------|
| Cincinnati Insurance Company (policy expiration July 1, 2010) | |
| Building and contents, builders risk, fire and extended coverage (100% co-insurance, replacement value, and special causes of loss) | \$49,275,322 |
| Downtown Campus (80% Co-insurance, functional replacement, and special clauses) | \$5,408,000 \$5,000 deductible |
| Blanket earnings and expense | \$20,153,000 |
| Owned automobiles | |
| Liability | \$1,000,000 |
| Collision and comprehensive | \$1,000 deductible |
| Uninsured/underinsured motorist | \$1,000,000 |
| Medical payments | \$5,000 |
| Blanket fidelity bond | |
| Employees | \$150,000 \$2,500 deductible |
| Accounts receivable records | \$1,000,000 \$5,000 deductible |
| Equipment floater | \$27,000 |
| Cincinnati Insurance Company (policy expiration July 1, 2010) | |
| Directors, officers and hospital staff liability | \$1,000,000 \$15,000 deductible |
| Employment practices liability | \$1,000,000 \$25,000 deductible |
| PIC Wisconsin Insurance Company (policy expiration July 1, 2010) | |
| Employee benefit liability | \$1,000,000 |
| Professional liability—hospital | \$1,000,000/3,000,000 |
| Professional liability—physicians | \$1,000,000/3,000,000 |
| General liability | \$1,000,000/3,000,000 |
| Excess professional liability | \$2,000,000 |
| Excess liability hospital | \$2,000,000 |
| Farm Bureau Mutual Insurance Company (policy expiration April 1, 2010) | |
| Workers' compensation | Statutory |

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
PATIENT SERVICE REVENUE**

| | <u>Total</u> | | <u>Inpatient</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> |
| DAILY PATIENT SERVICES | | | | |
| Medical, surgical and obstetric | \$ 4,170,546 | \$ 3,991,157 | \$2,375,848 | \$2,463,373 |
| Special care | 55,132 | 57,600 | 55,132 | 57,600 |
| Long term care | 3,958,070 | 3,658,022 | - | - |
| Nursery | 287,883 | 287,138 | 287,883 | 287,138 |
| | <u>8,471,631</u> | <u>7,993,917</u> | <u>2,718,863</u> | <u>2,808,111</u> |
| OTHER NURSING SERVICES | | | | |
| Operating and recovery room | 3,585,682 | 2,976,748 | 635,998 | 612,202 |
| Central service and supply | 1,248,212 | 1,306,614 | 631,858 | 822,191 |
| Emergency service | 1,970,219 | 2,022,138 | 88,646 | 95,734 |
| Ambulance | 384,362 | 362,576 | 23,491 | 38,340 |
| Home Health | 1,090,878 | 1,063,429 | - | - |
| Hospice | 955,121 | 821,445 | - | - |
| | <u>9,234,474</u> | <u>8,552,950</u> | <u>1,379,993</u> | <u>1,568,467</u> |
| OTHER PROFESSIONAL SERVICES | | | | |
| Laboratory | 3,720,135 | 3,943,739 | 574,303 | 633,450 |
| Radiology | 5,598,339 | 5,739,251 | 326,902 | 330,787 |
| Pharmacy | 3,375,582 | 3,388,176 | 1,153,491 | 1,215,928 |
| Anesthesiology | 1,840,176 | 1,458,882 | 478,004 | 471,919 |
| Respiratory therapy and oxygen | 453,016 | 426,007 | 298,950 | 234,867 |
| Physical therapy | 1,456,456 | 1,265,479 | 117,381 | 126,041 |
| Cardio pulmonary | 696,722 | 551,635 | 33,810 | 45,218 |
| Pulmonary rehabilitation | 675 | 6,373 | - | - |
| Speech therapy | 32,199 | 14,449 | 6,475 | 2,707 |
| Audiology | 296,966 | 269,655 | - | - |
| Orange City medical clinic | 6,357,630 | 6,158,730 | - | - |
| Hospers medical clinic | 309,062 | 261,153 | - | - |
| Paullina medical clinic | 533,277 | 458,030 | - | - |
| Specialty clinics | 125,336 | 123,742 | - | 718 |
| Surgery | 1,432,357 | 1,239,773 | - | - |
| | <u>26,227,928</u> | <u>25,305,074</u> | <u>2,989,316</u> | <u>3,061,635</u> |
| | 43,934,033 | 41,851,941 | <u>\$7,088,172</u> | <u>\$7,438,213</u> |
| Charity care charges foregone, based on established rates | <u>213,795</u> | <u>279,431</u> | | |
| Total gross patient service revenue | 43,720,238 | 41,572,510 | | |
| Provisions for contractual and other adjustments | <u>11,554,164</u> | <u>9,723,473</u> | | |
| Net patient service revenue | <u>\$32,166,074</u> | <u>\$31,849,037</u> | | |

See accompanying auditor's report.

| <u>Outpatient</u> | | <u>Swing bed</u> | | <u>Intermediate care unit</u> | |
|---------------------------|---------------------|---------------------------|-------------------|-------------------------------|--------------------|
| <u>Year ended June 30</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> | <u>2009</u> | <u>2008</u> |
| \$ 1,790,446 | \$ 1,524,461 | \$ 4,252 | \$ 3,323 | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | 354,065 | 258,980 | 3,604,005 | 3,399,042 |
| - | - | - | - | - | - |
| <u>1,790,446</u> | <u>1,524,461</u> | <u>358,317</u> | <u>262,303</u> | <u>3,604,005</u> | <u>3,399,042</u> |
| 2,949,684 | 2,362,794 | - | 1,752 | - | - |
| 610,948 | 467,224 | 5,406 | 14,866 | - | 2,333 |
| 1,881,195 | 1,926,404 | 378 | - | - | - |
| 360,871 | 324,236 | - | - | - | - |
| 1,090,878 | 1,063,429 | - | - | - | - |
| 955,121 | 821,445 | - | - | - | - |
| <u>7,848,697</u> | <u>6,965,532</u> | <u>5,784</u> | <u>16,618</u> | <u>-</u> | <u>2,333</u> |
| 3,104,030 | 3,262,993 | 41,802 | 47,296 | - | - |
| 5,262,677 | 5,398,931 | 8,760 | 9,533 | - | - |
| 1,871,294 | 1,889,885 | 279,612 | 213,115 | 71,185 | 69,248 |
| 1,360,878 | 984,983 | 1,294 | 1,980 | - | - |
| 102,484 | 155,921 | 51,582 | 35,219 | - | - |
| 1,197,955 | 1,051,825 | 141,120 | 87,613 | - | - |
| 657,830 | 499,630 | 5,082 | 6,787 | - | - |
| 675 | 6,373 | - | - | - | - |
| 20,051 | 7,581 | 5,673 | 4,161 | - | - |
| 296,966 | 269,655 | - | - | - | - |
| 6,357,630 | 6,158,730 | - | - | - | - |
| 309,062 | 261,153 | - | - | - | - |
| 533,277 | 458,030 | - | - | - | - |
| 125,336 | 123,024 | - | - | - | - |
| 1,432,357 | 1,239,773 | - | - | - | - |
| <u>22,632,502</u> | <u>21,768,487</u> | <u>534,925</u> | <u>405,704</u> | <u>71,185</u> | <u>69,248</u> |
| <u>\$32,271,645</u> | <u>\$30,258,480</u> | <u>\$ 899,026</u> | <u>\$ 684,625</u> | <u>\$3,675,190</u> | <u>\$3,470,623</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

| | <u>Year ended June 30</u> | |
|----------------------------------|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| Contractual adjustments | \$ 8,357,955 | \$7,208,701 |
| Clinic discounts and adjustments | 1,839,069 | 1,851,437 |
| Provision for bad debts | <u>1,357,140</u> | <u>663,335</u> |
| Totals | <u>\$11,554,164</u> | <u>\$9,723,473</u> |

OTHER REVENUE

| | <u>Year ended June 30</u> | |
|-----------------|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| Cafeteria | \$ 182,753 | \$ 159,184 |
| Other | 437,208 | 440,607 |
| Lifeline | 36,369 | 33,226 |
| Landsmeer Ridge | <u>1,248,572</u> | <u>1,168,434</u> |
| Totals | <u>\$1,904,902</u> | <u>\$1,801,451</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
NURSING SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|------------------|
| | <u>2009</u> | <u>2008</u> |
| NURSING ADMINISTRATION | | |
| Salaries | \$ 113,893 | \$ 101,640 |
| Supplies and expenses | <u>46,567</u> | <u>18,426</u> |
| | <u>160,460</u> | <u>120,066</u> |
| MEDICAL, SURGICAL AND OBSTETRIC | | |
| Salaries | 1,395,254 | 1,447,288 |
| Supplies and expenses | <u>407,000</u> | <u>369,534</u> |
| | <u>1,802,254</u> | <u>1,816,822</u> |
| SPECIAL CARE | | |
| Salaries | 11,400 | 11,298 |
| Supplies and expenses | <u>348</u> | <u>-</u> |
| | <u>11,748</u> | <u>11,298</u> |
| SWING BED | | |
| Salaries | <u>8,741</u> | <u>14,385</u> |
| INTERMEDIATE CARE | | |
| Hospital | | |
| Salaries | 868,304 | 764,546 |
| Purchased services | 153,315 | 143,630 |
| Supplies and expenses | 127,907 | 140,406 |
| Heritage House | | |
| Salaries | 1,282,495 | 1,230,767 |
| Supplies and expenses | <u>469,093</u> | <u>435,828</u> |
| | <u>2,901,114</u> | <u>2,715,177</u> |
| NURSERY | | |
| Salaries | 79,232 | 67,354 |
| Supplies and expenses | <u>9,510</u> | <u>9,280</u> |
| | <u>88,742</u> | <u>76,634</u> |
| OPERATING AND RECOVERY ROOMS | | |
| Salaries | 680,087 | 590,894 |
| Supplies and expenses | <u>587,972</u> | <u>538,395</u> |
| | <u>1,268,059</u> | <u>1,129,289</u> |
| CENTRAL SERVICE AND SUPPLY | | |
| Billable supplies | 311,776 | 436,419 |
| Supplies and expenses | <u>52,409</u> | <u>19,205</u> |
| | <u>364,185</u> | <u>455,624</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
NURSING SERVICE EXPENSES (continued)**

| | <u>Year ended June 30</u> | |
|--------------------------|---------------------------|------------------------|
| | <u>2009</u> | <u>2008</u> |
| EMERGENCY SERVICE | | |
| Salaries | \$1,074,410 | \$ 972,110 |
| Supplies and expenses | <u>37,615</u> | <u>35,845</u> |
| | <u>1,112,025</u> | <u>1,007,955</u> |
| AMBULANCE | | |
| Salaries | 62,096 | 64,687 |
| Supplies and expenses | <u>30,728</u> | <u>26,980</u> |
| | <u>92,824</u> | <u>91,667</u> |
| HOME HEALTH | | |
| Salaries | 465,109 | 497,830 |
| Purchased services | 54,253 | 59,702 |
| Supplies and expenses | <u>104,737</u> | <u>86,694</u> |
| | <u>624,099</u> | <u>644,226</u> |
| HOSPICE | | |
| Salaries | 231,219 | 170,402 |
| Supplies and expenses | <u>116,634</u> | <u>159,968</u> |
| | <u>347,853</u> | <u>330,370</u> |
| Totals | <u>\$8,782,104</u> | <u>\$8,413,513</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
OTHER PROFESSIONAL SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|----------------------------|---------------------------|------------------|
| | <u>2009</u> | <u>2008</u> |
| LABORATORY | | |
| Salaries | \$ 448,504 | \$ 446,044 |
| Professional fees | 242,097 | 254,353 |
| Supplies and expenses | <u>331,562</u> | <u>363,204</u> |
| | <u>1,022,163</u> | <u>1,063,601</u> |
| RADIOLOGY | | |
| Salaries | 928,769 | 996,997 |
| Professional fees | 8,050 | 12,430 |
| Purchased services | 708,506 | 571,249 |
| Supplies and expenses | <u>251,502</u> | <u>285,115</u> |
| | <u>1,896,827</u> | <u>1,865,791</u> |
| ONCOLOGY | | |
| Salaries | <u>24,590</u> | <u>21,405</u> |
| PHARMACY | | |
| Salaries | 59,539 | 58,558 |
| Purchased services | 1,186,186 | 1,202,392 |
| Drugs | 6,761 | 11,717 |
| Supplies and expenses | <u>1,712</u> | <u>1,382</u> |
| | <u>1,254,198</u> | <u>1,274,049</u> |
| ANESTHESIOLOGY | | |
| Salaries | 351,387 | 397,078 |
| Professional fees | 339,547 | 86,812 |
| Supplies and expenses | <u>21,481</u> | <u>20,977</u> |
| | <u>712,415</u> | <u>504,867</u> |
| RESPIRATORY THERAPY | | |
| Salaries | 107,811 | 115,251 |
| Oxygen | 21,906 | 20,551 |
| Supplies and expenses | <u>72,906</u> | <u>72,802</u> |
| | <u>202,623</u> | <u>208,604</u> |
| PHYSICAL THERAPY | | |
| Salaries | 53,425 | 52,643 |
| Purchased services | 750,270 | 693,067 |
| Supplies and expenses | <u>13,494</u> | <u>58,072</u> |
| | <u>817,189</u> | <u>803,782</u> |
| CARDIO PULMONARY | | |
| Purchased services | 71,740 | 77,732 |
| Supplies and expenses | <u>2,443</u> | <u>2,690</u> |
| | <u>74,183</u> | <u>80,422</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

| | <u>Year ended June 30</u> | |
|-------------------------------------|---------------------------|------------------|
| | <u>2009</u> | <u>2008</u> |
| SPEECH THERAPY | | |
| Purchased services | \$ 18,186 | \$ 16,277 |
| AUDIOLOGY | | |
| Salaries | 60,507 | 57,155 |
| Purchased services | 7 | 545 |
| Supplies and expenses | <u>100,098</u> | <u>129,684</u> |
| | <u>160,612</u> | <u>187,384</u> |
| OCCUPATIONAL HEALTH SERVICES | | |
| Salaries | 84,694 | 96,264 |
| Purchased services | 270 | 1,713 |
| Supplies and expenses | <u>20,222</u> | <u>28,347</u> |
| | <u>105,186</u> | <u>126,324</u> |
| ORANGE CITY MEDICAL CLINIC | | |
| Salaries | 2,889,439 | 2,821,456 |
| Purchased services | 668,799 | 886,169 |
| Medical supplies | 286,648 | 260,783 |
| Supplies and expenses | 53,493 | 55,777 |
| Utilities | 72,078 | 74,309 |
| Postage | - | - |
| Telephone | 1,452 | 2,430 |
| Insurance | 98,225 | 96,120 |
| Employee benefits | <u>613,965</u> | <u>565,835</u> |
| | <u>4,684,099</u> | <u>4,762,879</u> |
| HOSPERS MEDICAL CLINIC | | |
| Salaries | 180,230 | 146,904 |
| Purchased service | 34,600 | 31,642 |
| Medical supplies | 19,490 | 13,356 |
| Supplies and expenses | 25,130 | 24,540 |
| Utilities | 1,768 | 1,553 |
| Telephone | 1,302 | 3,446 |
| Employee benefits | <u>42,025</u> | <u>26,359</u> |
| | <u>304,545</u> | <u>247,800</u> |
| PAULLINA MEDICAL CLINIC | | |
| Salaries | 340,524 | 305,592 |
| Purchased service | 69,286 | 71,914 |
| Medical supplies | 22,340 | 22,779 |
| Supplies and expenses | 21,003 | 16,000 |
| Utilities | 6,310 | 5,112 |
| Telephone | 2,952 | 4,870 |
| Employee benefits | <u>71,382</u> | <u>61,670</u> |
| | <u>533,797</u> | <u>487,937</u> |
| SPECIALTY CLINICS | | |
| Salaries | 127,165 | 151,303 |
| Supplies and expenses | <u>12,294</u> | <u>17,823</u> |
| | <u>139,459</u> | <u>169,126</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

| | <u>Year ended June 30</u> | |
|------------------------|---------------------------|---------------------|
| | <u>2009</u> | <u>2008</u> |
| OTOLARYNGOLOGY | | |
| Supplies and expenses | \$ 25,728 | \$ 27,796 |
| SURGERY | | |
| Salaries | 627,593 | 571,336 |
| Purchased services | 645 | 8,563 |
| Supplies and expenses | 66,174 | 76,138 |
| Utilities | <u>3,190</u> | <u>1,419</u> |
| | <u>697,602</u> | <u>657,456</u> |
| LANDSMEER RIDGE | | |
| Salaries | 400,164 | 367,215 |
| Purchased services | 8,974 | 9,330 |
| Medical supplies | 1,938 | 782 |
| Supplies and expenses | 167,330 | 169,163 |
| Utilities | 81,556 | 79,767 |
| Telephone | 10,060 | 11,512 |
| Insurance | <u>4,380</u> | <u>5,190</u> |
| | <u>674,402</u> | <u>642,959</u> |
| SOCIAL SERVICE | | |
| Salaries | 83,590 | 84,536 |
| Supplies and expenses | <u>—</u> | <u>224</u> |
| | <u>83,590</u> | <u>84,760</u> |
| MEDICAL RECORDS | | |
| Salaries | 155,701 | 140,256 |
| Supplies and expenses | <u>35,518</u> | <u>32,259</u> |
| | <u>191,219</u> | <u>172,515</u> |
| Totals | <u>\$13,622,613</u> | <u>\$13,405,734</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
GENERAL SERVICE EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|------------------------|
| | <u>2009</u> | <u>2008</u> |
| DIETARY | | |
| Salaries | \$ 276,473 | \$ 265,409 |
| Food | 346,712 | 314,855 |
| Supplies and expenses | <u>71,274</u> | <u>70,887</u> |
| | <u>694,459</u> | <u>651,151</u> |
| PLANT OPERATION AND MAINTENANCE | | |
| Salaries | 149,840 | 167,346 |
| Utilities | 451,851 | 404,161 |
| Purchased services | 38,118 | 14,377 |
| Supplies and expenses | <u>147,433</u> | <u>173,608</u> |
| | <u>787,242</u> | <u>759,492</u> |
| HOUSEKEEPING | | |
| Salaries | 213,725 | 201,279 |
| Supplies and expenses | <u>71,366</u> | <u>48,697</u> |
| | <u>285,091</u> | <u>249,976</u> |
| LAUNDRY AND LINEN | | |
| Salaries | 25,116 | 23,009 |
| Supplies and expenses | <u>5,397</u> | <u>8,489</u> |
| | <u>30,513</u> | <u>31,498</u> |
| Totals | <u>\$1,797,305</u> | <u>\$1,692,117</u> |

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

| | <u>Year ended June 30</u> | |
|--|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| FISCAL AND ADMINISTRATIVE SERVICE | | |
| Administrative and general | | |
| Salaries | \$ 644,936 | \$ 657,854 |
| Management fees | 338,636 | 314,257 |
| Professional services | 28,608 | 42,203 |
| Collection | 45,544 | 62,047 |
| Telephone | 55,793 | 85,502 |
| Supplies and expenses | <u>822,972</u> | <u>845,820</u> |
| | <u>1,936,489</u> | <u>2,007,683</u> |
| Human resources | | |
| Salaries | 124,000 | 120,597 |
| Supplies and expenses | <u>133,764</u> | <u>98,396</u> |
| | <u>257,764</u> | <u>218,993</u> |
| Regulatory affairs | | |
| Salaries | 64,897 | 62,990 |
| Supplies and expenses | <u>693</u> | <u>943</u> |
| | <u>65,590</u> | <u>63,933</u> |
| Community relations | | |
| Salaries | 64,877 | 50,655 |
| Supplies and expenses | <u>105,420</u> | <u>121,082</u> |
| | <u>170,297</u> | <u>171,737</u> |
| Receiving and stores | | |
| Salaries | 114,377 | 125,127 |
| Supplies and expenses | <u>31,637</u> | <u>35,392</u> |
| | <u>146,014</u> | <u>160,519</u> |
| Admissions | | |
| Salaries | 212,254 | 103,111 |
| Supplies and expenses | <u>7,559</u> | <u>1,195</u> |
| | <u>219,813</u> | <u>104,306</u> |
| | | |
| Total fiscal and administrative expenses | <u>2,795,967</u> | <u>2,727,171</u> |
| UNASSIGNED EXPENSES | | |
| Employee benefits | | |
| Payroll taxes | 1,565,632 | 1,445,434 |
| Group health insurance | 1,478,198 | 1,291,364 |
| Other | 153,120 | 147,968 |
| Insurance | <u>417,005</u> | <u>353,320</u> |
| Total unassigned expenses | <u>3,613,955</u> | <u>3,238,086</u> |
| | | |
| Totals | <u>\$6,409,922</u> | <u>\$5,965,257</u> |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
COMPARATIVE STATISTICS**

| | Year ended June 30 | |
|-------------------------------|---------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| PATIENT DAYS | | |
| Adult and pediatric | 3,154 | 3,445 |
| Nursery | 536 | 548 |
| Swing bed | | |
| Skilled nursing care | 1,020 | 803 |
| Intermediate care | 11 | 12 |
| Intermediate care | | |
| Hospital | 11,847 | 11,614 |
| Heritage House | <u>16,330</u> | <u>16,334</u> |
| Totals | <u>32,898</u> | <u>32,756</u> |
| ADMISSIONS | | |
| Adult and pediatric | 937 | 1,038 |
| Swing bed | | |
| Skilled nursing care | 110 | 91 |
| Intermediate care | 10 | 6 |
| Intermediate care | | |
| Hospital | 13 | 21 |
| Heritage House | <u>27</u> | <u>19</u> |
| Total admissions | <u>1,097</u> | <u>1,175</u> |
| DISCHARGES | | |
| Adult and pediatric | 941 | 1,035 |
| Swing bed | | |
| Skilled nursing care | 113 | 90 |
| Intermediate care | 10 | 6 |
| Intermediate care | | |
| Hospital | 15 | 21 |
| Heritage House | <u>23</u> | <u>23</u> |
| Total discharges | <u>1,102</u> | <u>1,175</u> |
| AVERAGE LENGTH OF STAY | | |
| Adult and pediatric | 3.35 | 3.33 |
| Swing bed | | |
| Skilled nursing care | 9.03 | 8.93 |
| Intermediate care | 1.10 | 2.00 |
| Intermediate care | | |
| Hospital | 789.80 | 553.05 |
| Heritage House | 710.00 | 710.18 |

See accompanying auditor's report.

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
COMPARATIVE STATISTICS (continued)**

| | <u>Year ended June 30</u> | |
|---|---------------------------|-------------|
| | <u>2009</u> | <u>2008</u> |
| BEDS | | |
| Adult, pediatric and swing bed | 25 | 25 |
| Intermediate care | | |
| Hospital | 33 | 33 |
| Heritage House | 50 | 50 |
| OCCUPANCY PERCENT | | |
| Adult, pediatric and swing bed | 45.9% | 46.6% |
| Intermediate care | | |
| Hospital | 98.4% | 96.2% |
| Heritage House | 89.5% | 89.3% |
| NET PATIENT SERVICE REVENUE PER CALENDAR DAY | | |
| Hospital | \$71,250 | \$71,359 |
| Medical Clinics | \$16,876 | \$15,660 |
| NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT ACCOUNTS RECEIVABLE AT END OF YEAR | | |
| Hospital | 48.2 | 61.0 |
| Medical Clinics | 46.5 | 53.1 |

**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
Orange City Municipal Hospital
d/b/a Orange City Area Health System
and Orange City Area Health Foundation
Orange City, Iowa

We have audited the financial statements of Orange City Municipal Hospital d/b/a Orange City Area Health System (Hospital), and its component unit, Orange City Area Health System Foundation (Foundation) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Hospital's and Foundation'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 and Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's and Foundation'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 and Foundation'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 and Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Hospital's and Foundation'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 and Foundation'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 and Foundation'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 and Foundation's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Hospital and Foundation. Since our audits were 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 The City of Orange City and other parties to whom the Hospital and Foundation may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 15, 2009

**Orange City Municipal Hospital
d/b/a Orange City Area Health System
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.

Part II—Findings Related to Required Statutory Reporting

09-II-A OFFICIAL DEPOSITORIES

Comment

A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2009 at one financial institution.

Recommendation

We recommend the Hospital's depository resolution be reviewed with the maximum deposit amounts adjusted as needed.

Response

The depository resolution has been reviewed and updated as necessary.

Conclusion

Response accepted.

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 transactions between the Hospital and a Hospital official were noted.

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 Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy.