

HUMBOLDT COUNTY MEMORIAL HOSPITAL

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS

YEARS ENDED JUNE 30, 2007 AND 2006

HUMBOLDT COUNTY MEMORIAL HOSPITAL

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HUMBOLDT COUNTY MEMORIAL HOSPITAL
Officials
June 30, 2007

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Marlene Thompson, Chairperson	Humboldt, Iowa	2010
Vivien Hansen, Vice-Chairperson	Humboldt, Iowa	2012
David Boswell, Secretary	Humboldt, Iowa	2010
Tim Anderson, Treasurer	Humboldt, Iowa	2012
Gary Moritz	Humboldt, Iowa	2008
Jody Eppley	Humboldt, Iowa	2008
Rod Harklau	Humboldt, Iowa	2012
 <u>Administrator:</u>		
Steven "Rob" Colerick	Humboldt, Iowa	
 <u>Assistant Administrator:</u>		
Pam Ray	Humboldt, Iowa	
 <u>Chief Financial Officer:</u>		
Betty J. Etherington	Humboldt, Iowa	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Humboldt County Memorial Hospital
Humboldt, Iowa

We have audited the accompanying balance sheets of Humboldt County Memorial Hospital as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets, 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.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Humboldt County Memorial Hospital as of June 30, 2007 and 2006, and the results of its operations, changes in net assets, and 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 October 4, 2007 on our consideration of Humboldt County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees
Humboldt County Memorial Hospital

The management's discussion and analysis on pages 4 through 4e and the budgetary comparison schedule on page 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 22 through 35) 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.

Scamwell, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
October 4, 2007



Committed to Serve; Compassion to Care

HUMBOLDT COUNTY MEMORIAL HOSPITAL

1000 N. 15TH STREET

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HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis

Our discussion and analysis of Humboldt County Memorial Hospital (Hospital's) financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2006 and 2007. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

The Hospital's net assets increased in each of the past two years. Net assets increased by \$1,600,106 or 13.5 percent from 2006 to 2007 and by \$1,173,293 or 11.0 percent from 2005 to 2006.

The Hospital reported an operating profit in both 2007 and 2006; operating profits were \$813,224 and \$636,207 respectively. The 2007 results reflect a \$177,017 or 27.8 percent increase as compared to 2006 results. Operating profit increased in 2006 as compared to 2005 by \$156,372. This reflects a 32.6 percent increase.

Net non-operating revenues increased by \$238,301 or 44.7 percent in 2007 compared to 2006. Net non-operating revenues increased in 2006 by \$74,884 or 16.3 percent as compared to 2005.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Our analysis of the Hospital finances begins on page 5 of the financial statements. One of the most important questions to ask about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis - Continued

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in the Hospital's patient base, changes in local medical staff, access to visiting medical specialists as well as local economic factors to assess the overall health of the Hospital.

THE STATEMENT OF CASH FLOWS

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities as reported in the Balance Sheet on page 5 of the financial statements. Comparative Balance Sheets are included on page 34 of the report. The Hospitals' net assets increased in each of the past two years by \$1,600,106 (13.5 percent) in 2007 and \$1,173,293 (11.0 percent) in 2006, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current assets	\$ 2,913,294	\$ 3,102,262	\$ 2,901,068
Capital assets, net	8,456,309	8,558,771	9,089,910
Other non-current assets	<u>7,657,517</u>	<u>5,558,942</u>	<u>4,195,637</u>
Total assets	<u>\$ 19,027,120</u>	<u>\$ 17,219,975</u>	<u>\$ 16,186,615</u>
Liabilities:			
Long-term debt outstanding, net	\$ 3,281,000	\$ 3,470,000	\$ 3,660,000
Other current and noncurrent liabilities	<u>2,300,929</u>	<u>1,904,890</u>	<u>1,854,823</u>
Total liabilities	<u>\$ 5,581,929</u>	<u>\$ 5,374,890</u>	<u>\$ 5,514,823</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 4,986,309	\$ 4,904,771	\$ 5,255,910
Restricted for debt service	1,202,751	1,174,026	1,152,414
Unrestricted	<u>7,256,131</u>	<u>5,766,288</u>	<u>4,263,468</u>
Total net assets	<u>\$ 13,445,191</u>	<u>\$ 11,845,085</u>	<u>\$ 10,671,792</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis - Continued

A significant component of the change in the Hospital's assets is an increase in other non-current assets from \$5,558,942 in 2006 to \$7,657,517 in 2007 (37.8%). Internally designated assets increased by \$2,085,526 due to the Hospital's ability to build investments that will be used for the planned building upgrade. Operating revenues increased in 2007 by \$649,058 (5.8%), and collections of accounts receivable remained strong, resulting in a stable cash position.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

In 2007, the Hospital's net assets increased by \$1,600,106 or 13.5 percent, as shown in Table 2. This increase is made up of many different components. Total net assets at the end of 2007 were \$13,445,191 and \$11,845,085 at year-end 2006.

Table 2: Operating Results and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues:			
Net patient service revenues	\$ 10,511,341	\$ 9,914,237	\$ 9,676,121
Other operating revenues	<u>1,314,788</u>	<u>1,262,834</u>	<u>950,335</u>
Total operating revenues	11,826,129	11,177,071	10,626,456
Operating Expenses:			
Salaries and benefits	6,212,006	5,967,368	5,792,778
Professional fees	694,430	583,879	652,083
Other operating expenses	3,196,096	3,120,291	2,994,450
Depreciation	<u>910,373</u>	<u>869,326</u>	<u>707,310</u>
Total operating expenses	<u>11,012,905</u>	<u>10,540,864</u>	<u>10,146,621</u>
Operating Income	813,224	636,207	479,835
Non-Operating Revenues and Expenses:			
Property taxes	375,333	375,206	375,349
Investment income	406,256	222,254	136,559
Non-capital grants and contributions	208,632	161,464	178,980
Other non-operating revenues and expenses, net	<u>(218,339)</u>	<u>(225,343)</u>	<u>(232,191)</u>
Total non-operating revenues (expenses), net	<u>771,882</u>	<u>533,581</u>	<u>458,697</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,585,106	1,169,788	938,532
Capital Grants and Contributions	<u>15,000</u>	<u>3,505</u>	<u>2,394</u>
Increase in net assets	1,600,106	1,173,293	940,926
Net Assets Beginning of Year	<u>11,845,085</u>	<u>10,671,792</u>	<u>9,730,866</u>
Net Assets End of Year	<u>\$ 13,445,191</u>	<u>\$ 11,845,085</u>	<u>\$ 10,671,792</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING INCOME

The first component of the overall change in the Hospital's net assets is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating profit. This is consistent with the Hospital's past several years of operating history. Operating profit was \$813,224 in 2007 and \$636,207 in 2006.

The primary factors for the increased operating profits are:

Revenue increases from 2006 to 2007 were noted in Surgery (\$205,149) up 15.1%, Laboratory (\$390,396) up 23.6%, Radiology (\$250,942) up 14.1%, Anesthesia (\$106,917) up 69.5% and Ambulance (\$108,000) up 27.5%.

The Hospital has demonstrated ability to keep operating expenses under control relative to revenue growth. The total cost of labor – wages and benefits – continues to be the largest component of the Hospital's expenses with general supplies being the second highest.

Increases in labor costs for the Hospital's employees (\$274,795 or 4.5 percent increase in 2007 compared to 2006).

Increases in the Hospital's general supplies – including medical supplies and pharmacy (\$86,311 or 4.5 percent increase in 2007 compared to 2006)

The rate of healthcare inflation has a direct effect on the cost of services provided by the Hospital. The Hospital also continues to grow its technology in the area of clinical care and patient diagnostics enabling it to share data between providers. Investments in the facility and technology improve the efficiency of the Hospital and prepare us to provide affordable healthcare to the community in the future.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis - Continued

The Hospital sometimes provides care for patients who have little or no health insurance or other means of payment. This service to the community is consistent with the goals established for the Hospital when it was established in 1970 when it was agreed that a portion of the Hospital's costs would be subsidized by property tax revenues, making the facility more affordable to the County's lower income residents. This is reflected in the Hospital's accounts written off as uncollectible. In 2006, \$249,482 in accounts were written off as uncollectible. This figure decreased to \$178,079 in 2007. This reflects a 28.6 percent decrease over this two year period showing an improved effort in collections. This figure does not include the \$18,338 in approved Charity Care applications.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Hospital and interest revenue and investment earnings. The Hospital has maintained its tax asking at approximately \$300,000 over that past three years. Non-capital grants and contributions increased by \$47,168 or 29.2% when compared to 2006. Investment income increased by \$184,002 or 82.8% due to the improved interest rates and the increase in investments. Hospital interest expense decreased \$7,240 from 2006. Overall, net non-operating revenues increased from \$533,581 to \$771,882 from 2006 to 2007.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital's capital grants and contributions increased from \$3,505 in 2006 to \$15,000 in 2007. The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities.

THE HOSPITAL'S CASH FLOWS

Changes in the Hospital's cash flows are consistent with changes in operating profits and non-operating revenues and expenses. In 2007, net cash used for capital and related financing activity showed an increase of \$459,787 due to payments for construction in progress. The net change in the Hospital cash flows is an increase of \$53,954 in 2007 from 2006.

BUDGETARY HIGHLIGHTS

Actual expenses were lower than the adopted budget by \$983,958. Health claim expenses and supply costs were two areas with much lower than projected expenses. Actual revenues were higher than budgeted by \$616,148.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2006, the Hospital had approximately \$8.5 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. In 2007, the Hospital purchased new major moveable equipment costing \$228,475. Of this, none was acquired through capital leases.

Debt:

At year-end, the Hospital had \$3,290,000 in revenue bonds outstanding. This compares to \$3,450,000 for year-end 2006. The Hospital also has outstanding debt of \$180,000 through the Humboldt County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. This non-interest bearing loan was used for the assisted living project.

OTHER ECONOMIC FACTORS

The Hospital continues to deal with the rising cost of health insurance for the general population. This impacts the Hospital through higher deductibles, more coverage limitations and discounts by insurance companies and an increasing number of uninsured individuals. This in turn leads to more uncollectible balances.

Employee retention is an important factor in the success of the Hospital. The need to provide competitive wages and benefits is important in retaining good employees and contributing to the growth of the Hospital.

Physician retention and exploring new services is also vital to our market share growth. The Hospital strives to provide state of the art technology and services.

The age of the original Hospital will also necessitate future investments in the infrastructure of the building and mechanical systems.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Financial Director's Office, at Humboldt County Memorial Hospital, 1000 North 15th Street, Humboldt, Iowa 50548.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Balance Sheets
June 30,

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 933,675	\$ 1,014,343
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$377,000 in 2007, \$443,000 in 2006)	1,059,930	1,120,070
Other receivables	38,909	58,613
Inventory	213,109	249,932
Prepaid expense	43,600	40,500
Succeeding year property tax receivable	289,000	289,000
Internally designated assets	<u>335,071</u>	<u>329,804</u>
Total current assets	2,913,294	3,102,262
Designated Assets:		
Internally designated assets	6,629,646	4,544,120
Restricted assets	<u>1,202,751</u>	<u>1,174,026</u>
	7,832,397	5,718,146
Less amounts required to meet current liabilities	<u>335,071</u>	<u>329,804</u>
	7,497,326	5,388,342
Capital Assets:		
Depreciable capital assets, net	7,801,096	8,482,994
Non-depreciable capital assets	<u>655,213</u>	<u>75,777</u>
	8,456,309	8,558,771
Deferred Financing Costs	<u>160,191</u>	<u>170,600</u>
Total assets	<u>\$ 19,027,120</u>	<u>\$ 17,219,975</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 189,000	\$ 184,000
Accounts payable	363,809	350,914
Accrued employee compensation	434,964	401,906
Payroll taxes withheld and accrued	61,640	46,460
Accrued interest payable	16,620	17,320
Senior housing deposits	77,896	68,290
Estimated third-party payor settlements	868,000	547,000
Deferred revenue for succeeding year property tax receivable	<u>289,000</u>	<u>289,000</u>
Total current liabilities	2,300,929	1,904,890
Long-Term Debt:		
Note payable, less current maturities	156,000	180,000
Revenue bonds, less current maturities	<u>3,125,000</u>	<u>3,290,000</u>
Total long-term debt	<u>3,281,000</u>	<u>3,470,000</u>
Total liabilities	5,581,929	5,374,890
Net Assets:		
Invested in capital assets, net of related debt	4,986,309	4,904,771
Restricted - expendable	1,202,751	1,174,026
Unrestricted	<u>7,256,131</u>	<u>5,766,288</u>
Total net assets	<u>13,445,191</u>	<u>11,845,085</u>
Total liabilities and net assets	<u>\$ 19,027,120</u>	<u>\$ 17,219,975</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	2007	2006
Revenue:		
Net patient service revenue	\$ 10,511,341	\$ 9,914,237
Other revenue	1,314,788	1,262,834
Total revenue	11,826,129	11,177,071
Expenses:		
Nursing service	2,456,120	2,182,348
Other professional service	3,777,225	3,719,026
Senior housing	335,294	333,273
General service	1,366,764	1,368,808
Fiscal and administrative service	2,167,129	2,068,083
Provision for depreciation	910,373	869,326
Total expenses	11,012,905	10,540,864
Operating Income	813,224	636,207
Non-Operating Revenues (Expenses):		
County taxes	375,333	375,206
Noncapital grants and contributions	208,632	161,464
Investment income	406,256	222,254
Gain on disposal of equipment	--	236
Interest expense	(218,339)	(225,579)
Non-operating revenues, net	771,882	533,581
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,585,106	1,169,788
Capital Grants and Contributions	15,000	3,505
Increase in Net Assets	1,600,106	1,173,293
Net Assets Beginning of Year	11,845,085	10,671,792
Net Assets End of Year	\$ 13,445,191	\$ 11,845,085

The accompanying notes are an integral part of these statements.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Statements of Cash Flows
Year ended June 30,

	2007	2006
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 10,921,791	\$ 10,250,781
Cash paid to suppliers	(5,181,334)	(5,089,469)
Cash paid to employees	(4,837,309)	(4,680,998)
Other revenue	1,314,788	1,262,834
Net cash provided by operating activities	2,217,936	1,743,148
Cash flows from non-capital financing activities:		
County tax revenue	375,333	375,206
Noncapital grants and contributions	208,632	161,464
Net cash provided by non-capital financing activities	583,965	536,670
Cash flows from capital and related financing activities:		
Capital grants and contributions	15,000	3,505
Principal paid on long-term debt	(184,000)	(180,000)
Capital expenditures	(231,564)	(301,898)
Construction in progress expenditures	(565,380)	(20,305)
Proceeds from disposal of equipment	--	236
Interest paid	(208,630)	(216,325)
Net cash used in capital and related financing activities	(1,174,574)	(714,787)
Cash flows from investing activities:		
Investment income	406,256	222,254
Change in designated assets	(1,979,629)	(1,160,291)
Net cash used in investing activities	(1,573,373)	(938,037)
Net increase in cash and cash equivalents	53,954	626,994
Cash and cash equivalents beginning of year	1,356,100	729,106
Cash and cash equivalents end of year	\$ 1,410,054	\$ 1,356,100
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 933,675	\$ 1,014,343
Cash and cash equivalents in designated and restricted assets	476,379	341,757
	\$ 1,410,054	\$ 1,356,100

(continued next page)

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Statements of Cash Flows - continued
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 813,224	\$ 636,207
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	910,373	869,326
Provision for bad debts	178,079	249,482
Change in assets and liabilities		
Accounts receivable	(98,235)	5,960
Inventory	36,823	(38,751)
Prepaid expense	(3,100)	(3,800)
Accounts payable, trade	1,928	(64,828)
Accrued employee compensation	33,058	8,455
Payroll taxes withheld and accrued	15,180	(5)
Senior housing deposits	9,606	28,102
Estimated third-party payor settlements	<u>321,000</u>	<u>53,000</u>
Total adjustments	<u>1,404,712</u>	<u>1,106,941</u>
Net cash provided by operating activities	<u>\$ 2,217,936</u>	<u>\$ 1,743,148</u>

The accompanying notes are an integral part of these statements.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Humboldt County Memorial Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary, outpatient, long-term care, and senior housing services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. 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 criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has one component unit: Humboldt County Memorial Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. Blending of the Foundation with the Hospital would result in an increase in total net assets of \$ 2,093,701 (\$1,785,020 in 2006) and an increase in the change in net assets of \$308,681 (\$112,842 in 2006) for the year ended June 30, 2007.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

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

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and five to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in 2007 or 2006.

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off accumulates to a maximum of 240 hours. Any excess over 240 hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. 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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

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

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

15. Net Assets

Net assets of the Hospital are classified in four components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note H. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

16. 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. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2005. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE C - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2007	2006
Long-term debt	\$ 1,187,751	\$ 1,174,026
Purchase of property and equipment	15,000	--
	\$ 1,202,751	\$ 1,174,026

The Hospital has no restricted nonexpendable net assets or endowments at June 30, 2007 or 2006.

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	2007	2006
Purchase of property and equipment	\$ --	\$ 3,505

NOTE D - DESIGNATED NET ASSETS

Of the \$7,256,131 (\$5,766,288 as of June 30, 2006) of unrestricted net assets as of June 30, 2007, \$6,629,646 (\$4,544,120 for 2006) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

	2007	2006
Capital acquisitions	\$ 6,168,267	\$ 4,202,363
Employee health insurance	461,379	341,757
	\$ 6,629,646	\$ 4,544,120

NOTE E - DEPOSITS AND INVESTMENTS

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

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

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	2007	2006
Internally Designated Assets:		
Cash	\$ 461,379	\$ 341,757
Certificates of deposit	6,089,614	4,155,850
Interest receivable	78,653	46,513
	\$ 6,629,646	\$ 4,544,120
Restricted Assets:		
Cash	\$ 15,000	\$ --
Certificates of deposit	1,173,727	1,160,219
Interest receivable	14,024	13,807
	\$ 1,202,751	\$ 1,174,026

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2007 and 2006, was as follows:

	2007	2006
Receivable from:		
Patients	\$ 156,357	\$ 214,470
Medicare	614,577	669,088
Medicaid	106,693	73,462
Wellmark	230,481	280,725
Other commercial insurance carriers	319,989	319,678
Others	8,833	5,647
	1,436,930	1,563,070
Less allowances for doubtful accounts and contractual adjustments	377,000	443,000
	\$ 1,059,930	\$ 1,120,070

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2007 and 2006 were as follows:

<u>Cost</u>	<u>Balance 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2007</u>
Land Improvements	\$ 134,806	\$ --	\$ --	\$ 134,806
Buildings and Fixed Equipment	5,961,564	--	--	5,961,564
Major Movable Equipment	4,859,429	228,475	--	5,087,904
Senior Housing Assets	5,136,584	--	--	5,136,584
	<u>16,092,383</u>	<u>228,475</u>	<u>--</u>	<u>16,320,858</u>
<u>Depreciation</u>				
Land Improvements	80,619	4,514	--	85,133
Buildings and Fixed Equipment	3,294,151	244,814	--	3,538,965
Major Movable Equipment	3,437,457	407,256	--	3,844,713
Senior Housing Assets	797,162	253,789	--	1,050,951
	<u>7,609,389</u>	<u>910,373</u>	<u>--</u>	<u>8,519,762</u>
Total Depreciation	<u>7,609,389</u>	<u>910,373</u>	<u>--</u>	<u>8,519,762</u>
Total Depreciable Capital Assets, Net	<u>\$ 8,482,994</u>	<u>\$(681,898)</u>	<u>\$ --</u>	<u>\$ 7,801,096</u>
Construction in Progress	\$ 27,283	\$ 579,436	\$ --	\$ 606,719
Land	48,494	--	--	48,494
	<u>75,777</u>	<u>579,436</u>	<u>--</u>	<u>655,213</u>
Total Non-Depreciable Capital Assets	<u>\$ 75,777</u>	<u>\$ 579,436</u>	<u>\$ --</u>	<u>\$ 655,213</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2006</u>
Land Improvements	\$ 129,631	\$ 5,175	\$ --	\$ 134,806
Buildings and Fixed Equipment	5,952,558	9,006	--	5,961,564
Major Movable Equipment	4,562,706	296,723	--	4,859,429
Senior Housing Assets	5,136,584	--	--	5,136,584
	<u>15,781,479</u>	<u>310,904</u>	<u>--</u>	<u>16,092,383</u>
<u>Depreciation</u>				
Land Improvements	76,195	4,424	--	80,619
Buildings and Fixed Equipment	3,045,709	248,442	--	3,294,151
Major Movable Equipment	3,078,241	359,216	--	3,437,457
Senior Housing Assets	539,918	257,244	--	797,162
Total Depreciation	<u>6,740,063</u>	<u>869,326</u>	<u>--</u>	<u>7,609,389</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,041,416</u>	<u>\$ (558,422)</u>	<u>\$ --</u>	<u>\$ 8,482,994</u>
Construction in Progress	\$ --	\$ 27,283	\$ --	\$ 27,283
Land	<u>48,494</u>	<u>--</u>	<u>--</u>	<u>48,494</u>
Total Non-Depreciable Capital Assets	<u>\$ 48,494</u>	<u>\$ 27,283</u>	<u>\$ --</u>	<u>\$ 75,777</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2007 and 2006 follows:

	<u>Balance 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2007</u>	<u>Current Portion</u>
Rural Economic Development Loan	\$ 204,000	\$ --	\$ 24,000	\$ 180,000	\$ 24,000
Long-Term Debt:					
Series 2000 revenue bonds	1,860,000	--	35,000	1,825,000	35,000
Series 2001 revenue bonds	<u>1,590,000</u>	<u>--</u>	<u>125,000</u>	<u>1,465,000</u>	<u>130,000</u>
Total Non-Current Liabilities	<u>\$3,654,000</u>	<u>\$ --</u>	<u>\$ 184,000</u>	<u>\$3,470,000</u>	<u>\$ 189,000</u>
	<u>Balance 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2006</u>	<u>Current Portion</u>
Rural Economic Development Loan	\$ 234,000	\$ --	\$ 30,000	\$ 204,000	\$ 24,000
Long-Term Debt:					
Series 2000 revenue bonds	1,890,000	--	30,000	1,860,000	35,000
Series 2001 revenue bonds	<u>1,710,000</u>	<u>--</u>	<u>120,000</u>	<u>1,590,000</u>	<u>125,000</u>
Total Non-Current Liabilities	<u>\$3,834,000</u>	<u>\$ --</u>	<u>\$ 180,000</u>	<u>\$3,654,000</u>	<u>\$ 184,000</u>

In December, 2004, the Hospital borrowed \$240,000 through the Humboldt County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in forty equal quarterly installments commencing April 1, 2005. The loan is collateralized by the Hospital's net revenues generated by the senior housing assisted living facility.

The Series 2000 Hospital Revenue Bonds were issued in November, 2000 and are collateralized by the Hospital's net revenues. The bonds mature in annual amounts ranging up to \$70,000 on June 1, 2019 with a balloon payment of \$1,195,000 due June 1, 2020. The bonds carry an interest rate of 6.65% per annum through June 1, 2010 at which time the rate will adjust to a rate equal to 69% (64% if the Hospital meets certain financial thresholds) of the Lender's Prime Rate then in effect.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE H - NON-CURRENT LIABILITIES - Continued

The Series 2001 Hospital Revenue Refunding Bonds were issued in June, 2001 and are collateralized by the Hospital's net revenues. The bonds were issued for the purpose of refunding the Series 1996 Hospital Revenue Bonds. The Bonds mature in annual amounts ranging up to \$200,000 on June 1, 2016 with interest rates ranging from 4.55% to 5.65%.

Under the terms of the revenue bond indentures, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The indentures also place limits on the incurrence of additional borrowings and require that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt	
	Principal	Interest
2008	\$ 189,000	\$ 199,440
2009	204,000	190,678
2010	209,000	180,947
2011	219,000	170,820
2012	229,000	159,953
2013-2017	1,085,000	608,622
2018-2020	<u>1,335,000</u>	<u>252,368</u>
	<u>\$ 3,470,000</u>	<u>\$ 1,762,828</u>

NOTE I - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% (3.90% beginning July 1, 2007) of their annual salary and the Hospital is required to contribute 5.75% (6.05% beginning July 1, 2007) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were approximately \$286,000, \$266,000, and \$241,600, respectively, equal to the required contributions for each year.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE J - DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan which is administered by an independent contractor under Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The Hospital's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the participant for investment. The plan is designed so that each participant retains investment control of his/her individual account. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Hospital's fiduciary responsibility is limited to due care in selecting the plan administrator. The administrator is responsible for withholdings and W-2s when the participants receive payments. The administrator is also required to submit an annual report to the Hospital. The Hospital is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant.

The market value of the exclusive benefit plan assets at June 30, 2007 was approximately \$127,000 (\$114,000 at June 30, 2006). This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE K - COMMITMENTS AND CONTINGENCIES

Risk Management

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. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Humboldt County Memorial Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

Litigation

The Hospital has been named as a defendant in a lawsuit. Legal counsel is unable to evaluate the eventual outcome of the lawsuit. Management believes that, should any liability eventually result, the Hospital's insurance coverage is adequate to cover any potential settlement. Therefore, no related liability has been accrued.

Construction in Progress

During the year ended June 30, 2006, the Hospital began a construction project encompassing the remodeling, renovation and expansion of several areas within the Hospital. The project has a total cost of approximately \$5,300,000. At June 30, 2007, costs incurred on the project totaled \$606,719. Financing for the project is expected to be provided by funds generated internally.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Notes to Financial Statements
June 30, 2007 and 2006

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Self-Funded Health Insurance

The Hospital has established an employee health insurance fund. Under the self-insured plan, the Hospital pays claims from this fund up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2007, the Hospital has designated funds in excess of actual claims paid of \$461,379 (\$341,757 at June 30, 2006). This amount of funds, shown under internally designated assets, would be made available should they be needed to pay claims in the future. The estimated amount of unpaid claims at June 30, 2007 is \$100,000 (\$110,000 at June 30, 2006) and is included in accounts payable.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT COUNTY MEMORIAL HOSPITAL
 Budgetary Comparison Schedule
 Year Ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the accrual basis used to prepare the budget. The adjustments result from accounting for interest and net assets differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 375,333	\$ --	\$ 375,333	
Other revenues	12,222,678	15,000	12,237,678	
Transfers in (out)	(13,725)	13,725	--	
	12,584,286	28,725	12,613,011	
Expenses	11,012,905	--	11,012,905	
Net	1,571,381	28,725	1,600,106	
Balance beginning of year	10,671,059	1,174,026	11,845,085	
Balance end of year	\$ 12,242,440	\$ 1,202,751	\$ 13,445,191	
	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 375,333	\$ --	\$ 375,333	\$ 370,501
Other revenues	12,237,678	218,339	12,456,017	11,844,701
	12,613,011	218,339	12,831,350	12,215,202
Expenses	11,012,905	218,339	11,231,244	12,215,202
Net	1,600,106	--	1,600,106	--
Balance beginning of year	11,845,085	(843,293)	11,001,792	11,001,792
Balance end of year	\$ 13,445,191	\$(843,293)	\$ 12,601,898	\$ 11,001,792

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 991,612	69.0%	\$ 887,901	56.8%
31 - 90	287,334	20.0	417,834	26.7
91 - 120	52,199	3.6	86,142	5.5
121 and over	105,785	7.4	171,193	11.0
	<u>1,436,930</u>	<u>100.0%</u>	<u>1,563,070</u>	<u>100.0%</u>
Allowance for doubtful accounts	175,000		225,000	
Allowance for contractual adjustments	<u>202,000</u>		<u>218,000</u>	
	<u>\$ 1,059,930</u>		<u>\$ 1,120,070</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Balance, beginning	\$ 225,000	\$ 240,000
Provision for bad debts	178,079	249,482
Recoveries of accounts previously written off	<u>242,293</u>	<u>181,732</u>
	645,372	671,214
Accounts written off	<u>470,372</u>	<u>446,214</u>
Balance, ending	<u>\$ 175,000</u>	<u>\$ 225,000</u>

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Inventory/Prepaid Expense
June 30,

	2007	2006
<u>Inventory</u>		
Central supply	\$ 87,488	\$ 142,130
Pharmacy	103,413	90,023
Dietary	22,208	17,779
	\$ 213,109	\$ 249,932
 <u>Prepaid Expense</u>		
Insurance	\$ 43,600	\$ 40,500

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Patient Service Revenue
Year ended June 30,

	2007		
	Inpatient	Outpatient	Swing Bed
Daily Patient Services:			
Medical and surgical	\$ 507,215	\$ --	\$ --
Swing bed - SNF	--	--	235,290
NF care	--	--	--
Telemetry	54,400	--	--
	<u>561,615</u>	<u>--</u>	<u>235,290</u>
Other Nursing Services:			
Observation	1,237	124,585	--
Operating and recovery rooms	62,263	1,505,966	--
Central services and supply	18,770	46,566	14,259
Emergency services	1,490	646,195	--
Cardiac rehabilitation	--	84,035	--
	<u>83,760</u>	<u>2,407,347</u>	<u>14,259</u>
Other Professional Services:			
Laboratory and blood bank	204,896	1,887,660	18,718
Electrocardiology	18,467	200,032	1,280
Cardiovascular diagnostics	16,865	233,075	--
Radiology	130,806	1,890,190	9,432
Pharmacy	525,529	975,541	122,714
Anesthesiology	13,375	246,298	990
Respiratory therapy	230,389	284,930	67,990
Physical therapy	11,531	410,544	51,515
Occupational therapy	7,949	81,299	53,200
Speech therapy	2,420	6,330	1,565
Massage therapy	13,140	--	--
Ambulance	--	501,048	--
Home health	--	871,493	--
Hospice	--	192,860	--
	<u>1,175,367</u>	<u>7,781,300</u>	<u>327,404</u>
	<u>\$ 1,820,742</u>	<u>\$ 10,188,647</u>	<u>\$ 576,953</u>

See Independent Auditor's Report.

<u>2007</u>		<u>2006</u>
<u>LTC</u>	<u>Total</u>	<u>Total</u>
\$ --	\$ 507,215	\$ 466,085
--	235,290	149,250
1,163,566	1,163,566	1,110,253
--	<u>54,400</u>	<u>47,700</u>
<u>1,163,566</u>	1,960,471	1,773,288
--	125,822	106,160
--	1,568,229	1,363,080
22,560	102,155	105,453
--	647,685	707,943
--	<u>84,035</u>	<u>70,254</u>
<u>22,560</u>	2,527,926	2,352,890
--	2,111,274	1,698,076
--	219,779	168,583
--	249,940	272,555
--	2,030,428	1,779,486
167,563	1,791,347	1,705,875
--	260,663	153,745
--	583,309	516,462
--	473,590	453,228
--	142,448	130,907
--	10,315	21,122
--	13,140	10,865
--	501,048	393,048
--	871,493	865,090
--	<u>192,860</u>	<u>245,200</u>
<u>167,563</u>	9,451,634	8,414,242
<u>\$ 1,353,689</u>	<u>\$ 13,940,031</u>	<u>\$ 12,540,420</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Revenue and Related Adjustments
June 30,

	2007	2006
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 13,940,031	\$ 12,540,420
Contractual adjustments	(3,226,657)	(2,365,346)
Discounts and allowances	(5,616)	(4,974)
Provision for bad debts	(178,079)	(249,482)
Charity care	(18,338)	(6,381)
	<u>\$ 10,511,341</u>	<u>\$ 9,914,237</u>
 <u>Other Revenue</u>		
Senior housing revenue - independent living	\$ 567,277	\$ 532,887
Senior housing revenue - assisted living	419,293	400,235
Cafeteria	67,734	69,933
Congregate meals	80,041	54,447
Employee prescriptions	146,675	172,937
Purchase discounts	1,969	249
Medical records transcript fees	1,870	2,881
Medical examiner	1,654	1,631
Ancillary service coverage revenue	--	1,116
Rental income	28,250	26,478
Vending machine commissions	25	40
	<u>\$ 1,314,788</u>	<u>\$ 1,262,834</u>

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Administrative:		
Salaries and wages	\$ 106,325	\$ 64,130
Supplies and other expense	<u>2,805</u>	<u>1,610</u>
	109,130	65,740
Medical and Surgical:		
Salaries and wages	564,923	561,700
Supplies and other expense	<u>45,099</u>	<u>37,400</u>
	610,022	599,100
Long-Term Care:		
Salaries and wages	582,651	536,840
Supplies and other expense	<u>31,706</u>	<u>33,794</u>
	614,357	570,634
Operating and Recovery Rooms:		
Salaries and wages	166,757	172,428
Supplies and other expense	<u>257,797</u>	<u>200,888</u>
	424,554	373,316
Central Services and Supply:		
Salaries and wages	76,236	70,298
Supplies and other expense	<u>100,199</u>	<u>19,052</u>
	176,435	89,350
Emergency Services:		
Salaries and wages	219,694	213,227
Professional fees	268,585	216,338
Supplies and other expense	<u>22,546</u>	<u>26,383</u>
	510,825	455,948

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HUMBOLDT COUNTY MEMORIAL HOSPITAL
Nursing Service Expenses - continued
Year ended June 30,

	2007	2006
Cardiac Rehabilitation:		
Salaries and wages	\$ 8,965	\$ 25,487
Supplies and other expense	1,832	2,773
	10,797	28,260
	\$ 2,456,120	\$ 2,182,348

SUMMARY

Salaries and wages	\$ 1,725,551	\$ 1,644,110
Professional fees	268,585	216,338
Supplies and other expense	461,984	321,900
	\$ 2,456,120	\$ 2,182,348

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Laboratory and Blood Bank:		
Salaries and wages	\$ 320,567	\$ 304,209
Professional fees	48,974	47,969
Supplies and other expense	<u>249,682</u>	<u>244,725</u>
	619,223	596,903
Electrocardiology:		
Professional fees	10,812	13,567
Cardiovascular Diagnostics:		
Salaries and wages	5,227	3,181
Supplies and other expense	<u>74,335</u>	<u>97,682</u>
	79,562	100,863
Radiology:		
Salaries and wages	242,380	234,134
Professional fees	2,278	6,237
Supplies and other expense	<u>420,286</u>	<u>400,790</u>
	664,944	641,161
Pharmacy:		
Salaries and wages	195,059	189,988
Professional fees	--	150
Supplies and other expense	<u>453,588</u>	<u>472,527</u>
	648,647	662,665
Anesthesiology:		
Professional fees	103,435	82,861
Supplies and other expense	<u>23</u>	<u>1,884</u>
	103,458	84,745
Respiratory Therapy:		
Salaries and wages	30,464	34,926
Supplies and other expense	<u>58,448</u>	<u>58,259</u>
	88,912	93,185
Physical Therapy:		
Salaries and wages	147,212	156,868
Professional fees	250	2,501
Supplies and other expense	<u>16,037</u>	<u>23,367</u>
	163,499	182,736
Occupational Therapy:		
Professional fees	66,775	68,984
Supplies and other expense	<u>1,606</u>	<u>38</u>
	68,381	69,022

(continued next page)

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - continued
Year ended June 30,

	2007	2006
Speech Therapy:		
Salaries and wages	\$ 4,213	\$ 7,703
Professional fees	4,059	1,615
Supplies and other expense	129	233
	8,401	9,551
Massage Therapy:		
Supplies and other expense	10,981	8,996
Ambulance:		
Salaries and wages	68,476	65,382
Supplies and other expense	35,684	33,467
	104,160	98,849
Outpatient Clinics:		
Salaries and wages	18,444	19,758
Supplies and other expense	1,328	2,551
	19,772	22,309
Home Health:		
Salaries and wages	621,819	592,417
Supplies and other expense	168,186	152,369
	790,005	744,786
Hospice:		
Salaries and wages	68,749	56,154
Supplies and other expense	75,532	102,444
	144,281	158,598
Medical Records:		
Salaries and wages	221,584	202,667
Supplies and other expense	30,603	28,423
	252,187	231,090
	\$ 3,777,225	\$ 3,719,026

SUMMARY

Salaries and wages	\$ 1,944,194	\$ 1,867,387
Professional fees	236,583	223,884
Supplies and other expense	1,596,448	1,627,755
	\$ 3,777,225	\$ 3,719,026

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Senior Housing Expenses
Year ended June 30,

	2007	2006
Springvale - Independent Living:		
Salaries and wages	\$ 42,525	\$ 50,737
Utilities	37,256	35,662
Repairs and maintenance	1,428	2,309
Supplies and other expense	13,818	13,048
	95,027	101,756
Springvale - Assisted Living:		
Salaries and wages	206,072	197,401
Utilities	26,754	27,021
Repairs and maintenance	1,488	1,189
Supplies and other expense	5,953	5,906
	240,267	231,517
	\$ 335,294	\$ 333,273

SUMMARY

Salaries and wages	\$ 248,597	\$ 248,138
Supplies and other expense	86,697	85,135
	\$ 335,294	\$ 333,273

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
General Service Expenses
Year ended June 30,

	2007	2006
Dietary:		
Salaries and wages	\$ 369,234	\$ 372,747
Food, supplies and other expense	355,783	338,102
	725,017	710,849
Plant Operation and Maintenance:		
Salaries and wages	168,206	170,231
Utilities	126,547	147,155
Supplies and other expense	106,900	117,480
	401,653	434,866
Housekeeping:		
Salaries and wages	135,356	130,106
Supplies and other expense	38,679	32,553
	174,035	162,659
Laundry and Linen:		
Salaries and wages	1,997	3,947
Supplies and other expense	64,062	56,487
	66,059	60,434
	\$ 1,366,764	\$ 1,368,808

SUMMARY

Salaries and wages	\$ 674,793	\$ 677,031
Supplies and other expense	691,971	691,777
	\$ 1,366,764	\$ 1,368,808

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	2007	2006
Fiscal and Administrative Service:		
Salaries and wages	\$ 277,232	\$ 252,787
Professional fees	189,262	143,657
Supplies and other expense	166,465	215,865
	632,959	612,309
Information Systems:		
Supplies and other expense	127,410	107,641
Employee Welfare:		
Social Security tax	347,896	332,987
Iowa Public Employees' Retirement System	285,889	265,984
Group health insurance	607,258	575,761
Workers' compensation insurance	70,308	75,001
Unemployment expense	2	--
Other employee benefits	30,286	28,182
	1,341,639	1,277,915
Insurance:		
Liability and property	65,121	70,218
	\$ 2,167,129	\$ 2,068,083

SUMMARY

Salaries and wages	\$ 277,232	\$ 252,787
Employee benefits	1,341,639	1,277,915
Professional fees	189,262	143,657
Supplies and other expense	358,996	393,724
	\$ 2,167,129	\$ 2,068,083

SUMMARY OF EXPENSES

Salaries and wages	\$ 4,870,367	\$ 4,689,453
Employee benefits	1,341,639	1,277,915
Professional fees	694,430	583,879
Supplies and other expense	3,196,096	3,120,291
	\$ 10,102,532	\$ 9,671,538

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Acute Care:					
Admissions	289	306	390	406	457
Discharges	291	304	396	409	451
Patient Days	898	935	1,149	1,232	1,394
Average Length of Stay	3.09	3.08	2.90	3.01	3.09
Average Occupied Beds	2.5	2.6	3.1	3.4	3.8
Swing Bed:					
Admissions	97	104	117	132	133
Discharges	98	103	120	133	131
SNF Days	713	597	834	916	811
ICF Days	25	69	93	50	59
Long-Term Care Patient Days	9,914	9,883	9,805	9,778	9,969
Combined Average Occupied Beds	31.6	31.5	32.6	32.7	33.5
Nursery Days	--	--	--	--	53
Outpatient Occasions of Service	51,475	46,479	44,927	47,556	44,799
Home Health Visits	10,130	10,407	9,649	9,175	8,631

See Independent Auditor's Report.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Comparative Balance Sheets
June 30,

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 933,675	\$ 1,014,343
Patient receivables, net	1,059,930	1,120,070
Other receivables	38,909	58,613
Inventory	213,109	249,932
Prepaid expense	43,600	40,500
Succeeding year property tax receivable	289,000	289,000
Internally designated assets	<u>335,071</u>	<u>329,804</u>
Total current assets	2,913,294	3,102,262
Other Assets:		
Designated and restricted assets	7,497,326	5,388,342
Capital assets, net	8,456,309	8,558,771
Deferred financing costs	<u>160,191</u>	<u>170,600</u>
Total other assets	<u>16,113,826</u>	<u>14,117,713</u>
Total assets	<u>\$ 19,027,120</u>	<u>\$ 17,219,975</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 189,000	\$ 184,000
Accounts payable	363,809	350,914
Accrued expenses	496,604	448,366
Accrued interest payable	16,620	17,320
Senior housing deposits	77,896	68,290
Estimated third-party payor settlements	868,000	547,000
Deferred revenue for succeeding year property tax receivable	<u>289,000</u>	<u>289,000</u>
Total current liabilities	2,300,929	1,904,890
Long-Term Debt, Net	<u>3,281,000</u>	<u>3,470,000</u>
Total liabilities	5,581,929	5,374,890
Net Assets	<u>13,445,191</u>	<u>11,845,085</u>
Total liabilities and net assets	<u>\$ 19,027,120</u>	<u>\$ 17,219,975</u>

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 629,601	\$ 694,963	\$ 330,656
1,331,205	1,274,278	1,116,348
102,920	34,286	30,950
211,181	214,181	185,783
36,700	44,555	45,593
289,000	288,000	289,000
300,461	590,190	271,154
<u>2,901,068</u>	<u>3,140,453</u>	<u>2,269,484</u>
4,015,142	5,240,447	5,518,138
9,089,910	6,881,152	6,101,752
180,495	190,012	199,150
<u>13,285,547</u>	<u>12,311,611</u>	<u>11,819,040</u>
<u>\$ 16,186,615</u>	<u>\$ 15,452,064</u>	<u>\$ 14,088,524</u>
\$ 174,000	\$ 145,000	\$ 140,000
399,758	668,508	334,672
439,916	398,492	361,277
17,961	18,572	19,155
40,188	56,626	72,386
494,000	546,000	330,000
289,000	288,000	289,000
<u>1,854,823</u>	<u>2,121,198</u>	<u>1,546,490</u>
<u>3,660,000</u>	<u>3,600,000</u>	<u>3,745,000</u>
5,514,823	5,721,198	5,291,490
<u>10,671,792</u>	<u>9,730,866</u>	<u>8,797,034</u>
<u>\$ 16,186,615</u>	<u>\$ 15,452,064</u>	<u>\$ 14,088,524</u>

HUMBOLDT COUNTY MEMORIAL HOSPITAL
 Comparative Statements of Revenues, Expenses and Changes in Net Assets
 Year ended June 30,

	<u>2007</u>	<u>2006</u>
Patient Service Revenue	\$ 13,940,031	\$ 12,540,420
Adjustments to Patient Service Revenue	<u>(3,428,690)</u>	<u>(2,626,183)</u>
Net Patient Service Revenue	10,511,341	9,914,237
Other Revenue	<u>1,314,788</u>	<u>1,262,834</u>
Total Revenue	11,826,129	11,177,071
Expenses	<u>11,012,905</u>	<u>10,540,864</u>
Operating Income	813,224	636,207
Non-Operating Revenues, Net	<u>771,882</u>	<u>533,581</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,585,106	1,169,788
Capital Grants and Contributions	<u>15,000</u>	<u>3,505</u>
Increase in Net Assets	<u>\$ 1,600,106</u>	<u>\$ 1,173,293</u>

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 11,958,156	\$ 10,957,800	\$ 10,434,027
<u>(2,282,035)</u>	<u>(2,190,563)</u>	<u>(1,976,219)</u>
9,676,121	8,767,237	8,457,808
<u>950,335</u>	<u>735,658</u>	<u>664,756</u>
10,626,456	9,502,895	9,122,564
<u>10,146,621</u>	<u>9,114,259</u>	<u>8,862,265</u>
479,835	388,636	260,299
<u>458,697</u>	<u>527,671</u>	<u>485,629</u>
938,532	916,307	745,928
<u>2,394</u>	<u>17,525</u>	<u>88,245</u>
<u>\$ 940,926</u>	<u>\$ 933,832</u>	<u>\$ 834,173</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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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

To the Board of Trustees
Humboldt County Memorial Hospital
Humboldt, Iowa

We have audited the financial statements of Humboldt County Memorial Hospital as of and for the year ended June 30, 2007, and have issued our report thereon dated October 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

To the Board of Trustees
Humboldt County Memorial Hospital

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

Our consideration of the 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 the 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 Humboldt County Memorial Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Humboldt County Memorial Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Humboldt County Memorial Hospital and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Stonehill, Bell, Kuylen - Co. P.C.

Atlantic, Iowa
October 4, 2007

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Schedule of Findings
Year ended June 30, 2007

PART I - SIGNIFICANT DEFICIENCIES

07-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

07-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2007 did not exceed amounts budgeted.

07-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee recognition banquet	\$ 3,341

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

HUMBOLDT COUNTY MEMORIAL HOSPITAL
Schedule of Findings
Year ended June 30, 2007

PART II - REQUIRED STATUTORY REPORTING - Continued

07-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

07-II-D Business Transactions: Business transactions between the Hospital and Hospital officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Porter, Maintenance Director, Owner of C & M Repair	Miscellaneous ambulance repairs	\$ 2,011

The transactions with C & M Repair do not appear to represent conflicts of interest since the purchases are not from an entity in which a trustee has a pecuniary interest and another department director approves the purchases.

07-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

07-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

* * *