

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)

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

YEARS ENDED JUNE 30, 2007 AND 2006

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)

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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2007 AND 2006

MAHASKA COUNTY HOSPITAL
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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Officials
June 30, 2007

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Becky Siefering, Chairman	Oskaloosa, Iowa	2010
Mike Grim, Vice-Chairman	Eddyville, Iowa	2008
Paul Swenson, Secretary	Oskaloosa, Iowa	2008
Jon Sullivan, Treasurer	Oskaloosa, Iowa	2010
Lawrence Everett	New Sharon, Iowa	2010
Mary Sexton	Rose Hill, Iowa	2008
Julie Fisher (Resigned April, 2007)	Oskaloosa, Iowa	--
Jim Hansen (Appointed May, 2007)	Oskaloosa, Iowa	2008
 <u>Chief Executive Officer:</u>		
Jay Christensen	Oskaloosa, Iowa	
 <u>Chief Financial Officer:</u>		
Joe Hohenberger (Resigned September, 2007)	Oskaloosa, Iowa	

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mahaska County Hospital
(d/b/a Mahaska Health Partnership)
Oskaloosa, Iowa

We have audited the accompanying balance sheets of Mahaska County Hospital (d/b/a Mahaska Health Partnership) 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 and provisions 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 Mahaska County Hospital (d/b/a Mahaska Health Partnership) 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 19, 2007 on our consideration of Mahaska County Hospital's (d/b/a Mahaska Health Partnership) 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
Mahaska County Hospital
(d/b/a Mahaska Health Partnership)

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4d and 22 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 23 through 38) 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.

Atlantic, Iowa
October 19, 2007

To the Board of Trustees
Mahaska County Hospital
(d/b/a Mahaska Health Partnership)

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4d and 22 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.

Atlantic, Iowa
October 19, 2007

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

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(d/b/a Mahaska Health Partnership)
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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 and provisions 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.

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Glennwald, Beer, Kuhn & Co. P.C.

Atlantic, Iowa
October 19, 2007

Mahaska Health Partnership Management's Discussion and Analysis

Our discussion and analysis of Mahaska Health Partnership (Hospital's) financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2007 and 2006. 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 with a \$1,930,825 or 8.5 percent increase in 2007 and a \$986,949 or 4.5 percent increase in 2006.

The Hospital reported operating losses in 2007 (\$187,085) and 2006 (\$1,058,165). Losses in 2007 decreased by \$871,080 or 82.3 percent from the loss reported in 2006. Operating losses in 2006 decreased from 2005 by \$628,956 or 37.3 percent.

Nonoperating revenues increased by \$72,796 or 3.6 percent in 2007 compared to 2006. Nonoperating revenues decreased in 2006 by \$178,011 or 8.0 percent compared to 2005.

Excess revenues over expenses increased by \$943,876 or 95.6% in 2007 compared to 2006, while excess revenues over expenses increased by \$450,945 or 84.1% in 2006 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 4a. One of the most important questions asked 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.

Mahaska Health Partnership
Management's Discussion and Analysis

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

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Mahaska Health Partnership
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. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, 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 reported in the Balance Sheet on page 5. The Hospitals' net assets increased in each of the past two years by \$1,930,825 (8.5 percent) in 2007 and \$986,949 (4.5 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	\$ 13,701,790	\$ 11,350,651	\$ 10,970,976
Capital assets, net	20,936,862	22,469,617	23,289,497
Other noncurrent assets	<u>2,654,661</u>	<u>2,678,107</u>	<u>2,490,721</u>
Total assets	<u>\$ 37,293,313</u>	<u>\$ 36,498,375</u>	<u>\$ 36,751,194</u>
Liabilities:			
Long-term debt outstanding	\$ 7,520,416	\$ 8,746,717	\$ 9,801,879
Other current and noncurrent Liabilities	<u>4,996,061</u>	<u>4,905,647</u>	<u>5,090,253</u>
Total liabilities	<u>\$ 12,516,477</u>	<u>\$ 13,652,364</u>	<u>\$ 14,892,132</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 11,723,376	\$ 12,003,135	\$ 11,765,459
Restricted expendable net assets	964,716	917,101	875,000
Restricted nonexpendable permanent endowments	6,000	6,000	6,000
Unrestricted	<u>12,082,744</u>	<u>9,919,775</u>	<u>9,212,603</u>
Total net assets	<u>\$ 24,776,836</u>	<u>\$ 22,846,011</u>	<u>\$ 21,859,062</u>

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

In 2007, the Hospital's net assets increased by \$1,930,825 or 8.5 percent, as shown in Table 2. This increase is made up of very different components. This represents an increase of 95.6 percent compared with the increase in net assets for 2006 of \$986,949.

Table 2: Operating Results and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues:			
Net patient service revenues	\$ 26,952,147	\$ 24,309,899	\$ 23,343,985
Other operating revenues	<u>206,684</u>	<u>233,201</u>	<u>270,723</u>
Total operating revenues	27,158,831	24,543,100	23,614,708
Operating Expenses:			
Salaries and benefits	17,135,409	15,652,837	15,414,601
Professional fees	992,369	998,485	1,064,333
Other operating expenses	6,893,525	6,648,346	6,626,837
Depreciation and amortization	<u>2,324,613</u>	<u>2,301,597</u>	<u>2,196,058</u>
Total operating expenses	<u>27,345,916</u>	<u>25,601,265</u>	<u>25,301,829</u>
Operating loss	(187,085)	(1,058,165)	(1,687,121)
Nonoperating Revenues and Expenses:			
Property taxes	1,863,912	1,789,140	1,723,297
Investment income	218,927	155,824	75,495
Noncapital grants and contributions	10,900	298,266	663,595
Other nonoperating revenues and expenses, net	<u>24,171</u>	<u>(198,116)</u>	<u>(239,262)</u>
Total nonoperating revenues (Expenses)	<u>2,117,910</u>	<u>2,045,114</u>	<u>2,223,125</u>
Excess of Revenues over Expenses and Increase in Net Assets	1,930,825	986,949	536,004
Net Assets Beginning of Year	<u>22,846,011</u>	<u>21,859,062</u>	<u>21,323,058</u>
Net Assets End of Year	<u>\$ 24,776,836</u>	<u>\$ 22,846,011</u>	<u>\$ 21,859,062</u>

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2007 was prepared on a modified accrual basis. The original budget of expenditures was approved at the meeting of February 27, 2006. Actual expenditures were lower than budget.

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating income (loss) - generally, the difference between net patient service and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. Losses in 2007 decreased by \$871,080 or 82.3 percent lower than the loss reported in 2006. Operating losses in 2006 decreased by \$628,956 or 37.3 percent lower than the loss reported in 2005.

The primary component of the decreased operating loss is:

As of November 1, 2005, Mahaska Health Partnership was designated a Critical Access hospital. This change resulted in a significant increase in Medicare reimbursement. This then served to reduce our Contractual Adjustments. This year's adjustments as a percentage of patient services revenue was 33.4%, while 2006 was 35.9% and 2005 was 37.7%.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Hospital and interest revenue and investment earnings and contributions. While investment income went from \$155,824 in 2006 to \$218,927 in 2007, a decrease in contributions of \$287,366 was noted. The decrease in contributions was the result of the Capital Campaign for Mahaska Health West coming to an end in 2006.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in Note A to the financial statements. Capital and operating grants received in 2007 did not change materially from capital and operating grants received in 2006.

THE HOSPITAL'S CASH FLOWS

The Hospital's cash flows changed due to the increase of third-party payments that were the direct result of the Critical Access Hospital designation as of November 1, 2005.

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2007, the Hospital had \$20.9 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. The Hospital had additions of new equipment and construction in progress in 2007 of \$774,465, and \$1,464,667 in 2006.

Debt:

At year-end, the Hospital had \$9.2 million in revenue notes and bonds, and promissory notes outstanding.

OTHER ECONOMIC FACTORS

The hospital is dependent upon payments from Medicare, Medicaid and other third-party payers. Each of these payers has continued to put pressure on reimbursement levels paid to the hospital. Medicare represents nearly 44% of hospital revenues and presently reimburses the hospital approximately 57% of billed charges. Future cost increases will be covered by increased volume from physician recruitment plus the designation as a Critical Access Hospital.

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 Administrator, at Mahaska Health Partnership, Oskaloosa, Iowa 52577.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Balance Sheets
June 30,

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 4,137,686	\$ 2,476,109
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$2,084,729 in 2007, \$2,078,439 in 2006)	4,482,252	4,439,500
Other receivables	70,236	76,724
Inventory	1,311,082	937,770
Prepaid expense	156,855	129,047
Estimated third-party payor settlements	152,000	88,000
Succeeding year property tax receivable	1,800,000	1,750,000
Internally designated assets	<u>1,591,679</u>	<u>1,453,501</u>
Total current assets	13,701,790	11,350,651
Designated and Restricted Assets:		
Internally designated assets	3,208,982	3,121,123
Restricted assets	<u>970,716</u>	<u>923,101</u>
	4,179,698	4,044,224
Less amounts required to meet current liabilities	<u>1,591,679</u>	<u>1,453,501</u>
	2,588,019	2,590,723
Capital Assets:		
Depreciable capital assets	20,472,461	22,120,351
Non-depreciable capital assets	<u>464,401</u>	<u>349,266</u>
	20,936,862	22,469,617
Other Assets:		
Notes receivable	46,750	37,500
Other	<u>19,892</u>	<u>49,884</u>
	66,642	87,384
Total assets	<u>\$ 37,293,313</u>	<u>\$ 36,498,375</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	\$ 1,228,096	\$ 1,186,781
Accounts payable	654,029	704,343
Accrued employee compensation	925,114	887,549
Accrued payroll taxes and withholding	49,763	79,746
Accrued health insurance claims	170,000	120,576
Accrued interest payable	169,059	176,652
Deferred revenue for succeeding year property tax receivable	<u>1,800,000</u>	<u>1,750,000</u>
Total current liabilities	4,996,061	4,905,647
Long-Term Debt:		
Revenue bonds and notes payable, less unamortized debt issue and refunding costs, and current maturities	<u>7,520,416</u>	<u>8,746,717</u>
Total liabilities	12,516,477	13,652,364
Net Assets:		
Invested in capital assets, net of related debt	11,723,376	12,003,135
Restricted - expendable	964,716	917,101
Non-expendable permanent endowments	6,000	6,000
Unrestricted	<u>12,082,744</u>	<u>9,919,775</u>
Total net assets	<u>24,776,836</u>	<u>22,846,011</u>
Total liabilities and net assets	<u>\$ 37,293,313</u>	<u>\$ 36,498,375</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Revenue:		
Net patient service revenue	\$ 26,952,147	\$ 24,309,899
Other revenue	<u>206,684</u>	<u>233,201</u>
Total revenue	27,158,831	24,543,100
Expenses:		
Nursing service	5,989,875	5,942,010
Other professional service	12,314,023	11,403,382
General service	2,178,325	1,995,589
Fiscal and administrative service	4,539,080	3,958,687
Provision for depreciation	2,307,220	2,284,547
Amortization	17,393	17,050
Total expenses	<u>27,345,916</u>	<u>25,601,265</u>
Operating Loss	(187,085)	(1,058,165)
Non-Operating Revenue (Expenses):		
County taxes	1,863,912	1,789,140
County subsidy - New Directions	265,880	86,738
Investment income	218,927	155,824
Noncapital grants and contributions	10,900	298,266
Rental income	284,611	284,482
Interest expense	(526,320)	(570,036)
Gain on disposal of assets	--	700
Non-operating revenue, net	<u>2,117,910</u>	<u>2,045,114</u>
Excess of Revenues Over Expenses and Increase in Net Assets	1,930,825	986,949
Net Assets Beginning of Year	<u>22,846,011</u>	<u>21,859,062</u>
Net Assets End of Year	<u>\$ 24,776,836</u>	<u>\$ 22,846,011</u>

The accompanying notes are an integral part of these statements.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Statements of Cash Flows
Year ended June 30,

	2007	2006
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 26,851,883	\$ 24,783,876
Cash paid to suppliers	(11,675,659)	(10,291,408)
Cash paid to employees	(13,737,682)	(13,236,750)
Other revenue	206,684	233,201
Net cash provided by operating activities	1,645,226	1,488,919
Cash flows from non-capital financing activities:		
County tax revenue and subsidy	2,129,792	1,875,878
Noncapital grants and contributions	10,900	298,266
Net cash provided by non-capital financing activities	2,140,692	2,174,144
Cash flows from capital and related financing activities:		
Capital expenditures	(706,105)	(1,491,582)
Proceeds on debt issuance	--	156,700
Principal paid on long-term debt	(1,252,996)	(1,214,256)
Change in other assets	29,992	1,977
Interest paid	(483,296)	(525,934)
Proceeds on sale of assets	--	700
Net cash used in capital and related financing activities	(2,412,405)	(3,072,395)
Cash flows from investing activities:		
Investment income	218,927	155,824
Change in designated and restricted assets	959,082	(70,719)
Loans granted for physician recruitment	(80,000)	--
Rental income	284,611	284,482
Net cash provided by investing activities	1,382,620	369,587
Net increase in cash and cash equivalents	2,756,133	960,255
Cash and cash equivalents at beginning of year	3,046,680	2,086,425
Cash and cash equivalents at end of year	\$ 5,802,813	\$ 3,046,680
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 4,137,686	\$ 2,476,109
Cash and cash equivalents in designated and restricted assets	1,665,127	570,571
Total cash and cash equivalents	\$ 5,802,813	\$ 3,046,680

(continued next page)

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(187,085)	\$(1,058,165)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	2,307,220	2,284,547
Provision for bad debts	1,239,893	1,193,458
Amortization	88,143	141,788
Changes in assets and liabilities		
Accounts receivable	(1,276,157)	(648,481)
Inventory	(373,312)	(59,112)
Prepaid expense	(27,808)	(2,667)
Accounts payable, trade	(118,674)	97,252
Accrued employee compensation	37,565	(399,951)
Accrued payroll taxes and withholding	(29,983)	25,772
Accrued health insurance claims	49,424	(14,522)
Estimated third-party payor settlements	(64,000)	(71,000)
Total adjustments	<u>1,832,311</u>	<u>2,547,084</u>
Net cash provided by operating activities	<u>\$ 1,645,226</u>	<u>\$ 1,488,919</u>

The accompanying notes are an integral part of these statements.

Mahaska County Hospital
(d/b/a Mahaska Health Partnership)
Statements of Cash Flows - Supplement
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Cash received from patients and third-party payors:		
Net patient service revenue	\$ 26,952,147	\$ 24,309,899
Beginning accounts receivable	6,594,663	7,141,201
Ending accounts receivable	(6,637,217)	(6,594,663)
Change in allowance (contractual)	(58,000)	31,000
Net write-offs	(1,175,603)	(1,226,019)
Change in accounts receivable	(1,276,157)	(648,481)
Provision for bad debts	1,239,893	1,193,458
(Increase) decrease in due from contracting agencies	(64,000)	(71,000)
Cash received from patients and third-party payors	<u>\$ 26,851,883</u>	<u>\$ 24,783,876</u>
Cash paid to suppliers for goods and services:		
Operating expenses (less depreciation, amortization, and wages)	\$ 11,175,306	\$ 10,338,131
Increase (decrease) in inventory	373,312	59,112
Increase (decrease) in prepaid expense	27,808	2,667
Decrease (increase) in accounts payable, trade	118,674	(97,252)
Decrease (increase) in payroll taxes	29,983	(25,772)
Decrease (increase) in accrued health insurance claims	(49,424)	14,522
Cash paid to suppliers for goods and services	<u>\$ 11,675,659</u>	<u>\$ 10,291,408</u>
Cash paid to employees for services:		
Salaries and wages	\$ 13,775,247	\$ 12,836,799
Decrease (increase) in accrued employee compensation	(37,565)	399,951
Cash paid to employees for services	<u>\$ 13,737,682</u>	<u>\$ 13,236,750</u>

Mahaska County Hospital
(d/b/a Mahaska Health Partnership)
Statements of Cash Flows - Supplement
Year ended June 30,

	2007	2006
<u>Construction in Progress Expenditures</u>		
Beginning	\$ 35,790	\$ 638,689
Ending	(150,925)	(35,790)
Capitalized during year	--	(602,899)
Beginning A/P plant - CIP	--	(105,049)
Ending A/P plant - CIP	51,964	--
Beginning capitalized accrued int. payable	--	--
Ending capitalized accrued int. payable	--	--
	<u>\$ (63,171)</u>	<u>\$ (105,049)</u>
 <u>Designated and Restricted Assets</u>		
Beginning	\$ 4,044,224	\$ 3,705,943
Ending	(4,179,698)	(4,044,224)
Decrease in due from restricted fund	--	--
Beginning AWUL cash	(570,571)	(303,009)
Ending AWUL cash	1,665,127	570,571
	<u>\$ 959,082</u>	<u>\$ (70,719)</u>
 <u>Capital Expenditures:</u>		
Capital expenditures	\$(659,330)	\$(2,067,566)
Transfer from CIP	--	602,899
Beginning A/P plant - equip.	(78,134)	--
Ending A/P plant - equip.	94,530	78,134
	<u>\$ (642,934)</u>	<u>\$ (1,386,533)</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The organization is a critical access county hospital with related healthcare ancillary and outpatient 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 no component units.

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.

5. Inventory Valuation

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

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

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

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 five 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 fifty 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. There was no interest cost 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 consists of holiday, vacation and sick time and accumulates to a maximum of 360 hours. Any excess over 360 hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits 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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note C.

15. 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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

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

16. 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*.

17. 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 October 31, 2005. However, finalized cost reports are subject to re-opening by the intermediaries within three years of 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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2007	2006
Long-term debt	\$ 964,716	\$ 917,101

Unless the contributor provides specific instructions, law permits the Hospital Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Trustees is required to consider the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board of Trustees has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable net assets as of June 30, 2007 and 2006 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	2007	2006
Purchase of capital assets	\$ 6,000	\$ 6,000

NOTE D - DESIGNATED NET ASSETS

Of the \$12,082,744 (\$9,919,775 as of June 30, 2006) of unrestricted net assets as of June 30, 2007, \$3,208,982 (\$3,121,123 for 2006) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE D - DESIGNATED NET ASSETS - Continued

Designated 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	\$ 3,059,009	\$ 2,971,150
Employee health insurance	149,973	149,973
	\$ 3,208,982	\$ 3,121,123

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 Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	2007	2006
Internally Designated Assets:		
Cash and cash equivalents	\$ 1,665,127	\$ 570,571
Certificates of deposit	1,524,207	2,534,541
Interest receivable	19,648	16,011
	\$ 3,208,982	\$ 3,121,123
Restricted Assets:		
Certificate of deposit	\$ 956,072	\$ 909,666
U.S. treasury obligations	6,000	6,000
Interest receivable	8,644	7,435
	\$ 970,716	\$ 923,101

Interest rate risk. 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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

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:

	<u>2007</u>	<u>2006</u>
Receivable from:		
Patients	\$ 1,869,284	\$ 1,712,918
Medicare	1,969,950	2,388,654
Medicaid	615,357	476,074
Blue Cross	888,620	781,708
Other commercial insurance carriers	1,107,804	1,020,842
Others	<u>115,966</u>	<u>137,743</u>
	6,566,981	6,517,939
Less allowances for doubtful accounts and contractual adjustments	<u>2,084,729</u>	<u>2,078,439</u>
	<u>\$ 4,482,252</u>	<u>\$ 4,439,500</u>

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</u> <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>2007</u>
Land Improvements	\$ 878,582	\$ --	\$ --	\$ 878,582
Buildings	26,372,308	66,533	--	26,438,841
Major Movable Equipment	12,793,249	592,797	--	13,386,046
Clinic Equipment	<u>21,895</u>	<u>--</u>	<u>--</u>	<u>21,895</u>
	40,066,034	659,330	--	40,725,364
<u>Depreciation</u>				
Land Improvements	451,061	52,212	--	503,273
Buildings	8,586,990	1,013,248	--	9,600,238
Major Movable Equipment	8,885,737	1,241,760	--	10,127,497
Clinic Equipment	<u>21,895</u>	<u>--</u>	<u>--</u>	<u>21,895</u>
Total Depreciation	<u>17,945,683</u>	<u>2,307,220</u>	<u>--</u>	<u>20,252,903</u>
Depreciable Capital Assets, Net	<u>\$ 22,120,351</u>	<u>\$(1,647,890)</u>	<u>\$ --</u>	<u>\$ 20,472,461</u>
Construction in Progress	\$ 35,790	\$ 115,135	\$ --	\$ 150,925
Land	<u>313,476</u>	<u>--</u>	<u>--</u>	<u>313,476</u>
Total Non-depreciable Capital Assets	<u>\$ 349,266</u>	<u>\$ 115,135</u>	<u>\$ --</u>	<u>\$ 464,401</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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	\$ 868,139	\$ 10,443	\$ --	\$ 878,582
Buildings	25,475,815	896,493	--	26,372,308
Major Movable Equipment	11,641,069	1,160,630	8,450	12,793,249
Clinic Equipment	21,895	--	--	21,895
	<u>38,006,918</u>	<u>2,067,566</u>	<u>8,450</u>	<u>40,066,034</u>
<u>Depreciation</u>				
Land Improvements	399,807	51,254	--	451,061
Buildings	7,588,571	998,419	--	8,586,990
Major Movable Equipment	7,659,313	1,234,874	8,450	8,885,737
Clinic Equipment	21,895	--	--	21,895
	<u>15,669,586</u>	<u>2,284,547</u>	<u>8,450</u>	<u>17,945,683</u>
Depreciable Capital Assets, Net	<u>\$ 22,337,332</u>	<u>\$(216,981)</u>	<u>\$ --</u>	<u>\$ 22,120,351</u>
Construction in Progress	\$ 638,689	\$ --	\$ 602,899	\$ 35,790
Land	313,476	--	--	313,476
Total Non-depreciable Capital Assets	<u>\$ 952,165</u>	<u>\$ --</u>	<u>\$ 602,899</u>	<u>\$ 349,266</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE H - LONG-TERM DEBT

A schedule of changes in the Hospital's long-term debt 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>
Long-Term Debt:					
Series 2001 bonds	\$ 7,990,000	\$ --	\$ 255,000	\$ 7,735,000	\$ 265,000
Series 2003 notes	1,020,000	--	505,000	515,000	515,000
Note payable, bank	1,324,863	--	463,702	861,161	484,107
Note payable, bank	131,619	--	29,294	102,325	31,105
Debt issue and refunding costs	(532,984)	--	(68,010)	(464,974)	(67,116)
Total Long-Term Debt	<u>\$ 9,933,498</u>	<u>\$ --</u>	<u>\$1,184,986</u>	<u>\$ 8,748,512</u>	<u>\$1,228,096</u>
	<u>Balance 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2006</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2001 bonds	\$ 8,240,000	\$ --	\$ 250,000	\$ 7,990,000	\$ 255,000
Series 2003 notes	1,515,000	--	495,000	1,020,000	505,000
Note payable, bank	1,769,038	--	444,175	1,324,863	465,378
Note payable, bank	--	156,700	25,081	131,619	29,413
Debt issue and refunding costs	(600,652)	--	(67,668)	(532,984)	(68,010)
Total Long-Term Debt	<u>\$ 10,923,386</u>	<u>\$ 156,700</u>	<u>\$1,146,588</u>	<u>\$ 9,933,498</u>	<u>\$1,186,781</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE H - LONG-TERM DEBT - Continued

Series 2001 Bonds

The County of Mahaska, Iowa issued \$8,715,000 of Hospital Revenue Bonds, Series 2001, to early refund previously issued Series 1997 bonds, and finance a portion of the costs of a medical office building and renovation project of the Hospital. The bonds are payable from revenues of the Hospital. The bonds mature in annual installments starting August 1, 2003 through August 1, 2016, with varying interest rates ranging from 3.5% to 5.1%.

Series 2003 Notes

The County of Mahaska, Iowa issued \$2,480,000 of General Obligation Refunding Hospital notes, Series 2003, to early refund the Series 1993 notes. The notes are payable primarily from revenues of the Hospital. However, the notes are ultimately general obligations of the County, payable from its General Fund, and are secured by a pledge of the County's General Fund and the faith, credit, revenues and resources and all of the real and personal property of the County. The notes mature in annual installments starting June 1, 2004 through June 1, 2008, with varying interest rates ranging from 1.50% to 2.85%.

Note Payable, Bank

The Hospital entered into a five year promissory note payable with a bank dated March 9, 2004 for the purchase of equipment. The note is payable in monthly installments of \$42,646 including interest at a rate of 4.25%. The note matures in March, 2009 and is collateralized by revenues of the Hospital.

Note Payable, Bank

The Hospital entered into a five year promissory note payable with a bank dated July 9, 2005 for the purchase of equipment. The note is payable in monthly installments of \$3,041 including interest at a rate of 6%. The note matures in July, 2010 and is collateralized by revenues of the Hospital.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE H - LONG-TERM DEBT - Continued

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

Year Ending June 30,	Long-Term Debt	
	Principal	Interest
2008	\$ 1,295,212	\$ 434,645
2009	685,119	389,950
2010	860,133	351,887
2011	868,022	310,400
2012	910,000	267,330
2013-2017	<u>4,595,000</u>	<u>648,177</u>
	<u>\$ 9,213,486</u>	<u>\$ 2,402,389</u>

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

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% July 1, 2007) of their annual salary and the Hospital is required to contribute 5.75% (6.05% 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 \$746,000, \$686,000, and \$671,000, respectively, equal to the required contributions for each year.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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 personnel department is 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 \$412,841 (\$465,569 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

Notes Receivable

The notes receivable represent funds advanced under agreements with physicians who have begun to practice in the community. The agreements include commitments by the physicians to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the terms of the commitments.

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. The 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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Notes to Financial Statements
June 30, 2007 and 2006

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

Construction in progress at June 30, 2007 of \$150,925 consists of down payments on various capital items. The estimated total cost is \$717,000, which will be financed through the use of existing Hospital internally designated funds.

Self-Funded Health Insurance

The Hospital has established a self-insured employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2007, the Hospital has accumulated funds in excess of actual claims paid of \$149,973 (\$149,973 at June 30, 2006). These funds, shown under internally designated assets are to be used to pay claims as they are filed in the future. The estimated amount of unpaid claims at June 30, 2007 is \$170,000 (\$120,576 at June 30, 2006), which is reported under current liabilities.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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 the 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 modified accrual basis used to prepare the budget. The adjustment results from accounting for interest, property and equipment purchases, depreciation, and net assets differently for financial statement and budget purposes.

	Per Financial Statements			
	Unrestricted Fund	Restricted Fund	Total	
Amount raised by taxation	\$ 1,863,912	\$ --	\$ 1,863,912	
Other revenues	<u>27,365,214</u>	<u>47,615</u>	<u>27,412,829</u>	
	29,229,126	47,615	29,276,741	
Expenses	<u>27,345,916</u>	<u>--</u>	<u>27,345,916</u>	
Net	1,883,210	47,615	1,930,825	
Balance beginning of year	<u>21,922,910</u>	<u>923,101</u>	<u>22,846,011</u>	
Balance end of year	<u>\$ 23,806,120</u>	<u>\$ 970,716</u>	<u>\$ 24,776,836</u>	
	<u>Total Per Financial Statements</u>	<u>Budget Adjustments</u>	<u>Budget Basis</u>	<u>Budget</u>
Amount raised by taxation	\$ 1,863,912	\$ --	\$ 1,863,912	\$ 1,747,422
Other revenues	<u>27,412,829</u>	<u>526,320</u>	<u>27,939,149</u>	<u>27,232,102</u>
	29,276,741	526,320	29,803,061	28,979,524
Expenses	<u>27,345,916</u>	<u>(1,074,794)</u>	<u>26,271,122</u>	<u>28,126,885</u>
Net	1,930,825	1,601,114	3,531,939	852,639
Balance beginning of year	<u>22,846,011</u>	<u>(699,740)</u>	<u>22,146,271</u>	<u>22,146,271</u>
Balance end of year	<u>\$ 24,776,836</u>	<u>\$ 901,374</u>	<u>\$ 25,678,210</u>	<u>\$ 22,998,910</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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>
Hospital				
0 - 30	\$ 3,041,846	46.4%	\$ 3,226,458	49.5%
31 - 60	823,141	12.5	800,498	12.3
61 - 90	401,601	6.1	443,987	6.8
91 - 180	694,430	10.6	594,610	9.1
Over 181	<u>736,133</u>	<u>11.2</u>	<u>689,802</u>	<u>10.6</u>
	5,697,151	86.8	5,755,355	88.3
Community Health and Hospice Physician clinic	415,759	6.3	268,416	4.1
	<u>454,071</u>	<u>6.9</u>	<u>494,168</u>	<u>7.6</u>
	<u>6,566,981</u>	<u>100.0%</u>	<u>6,517,939</u>	<u>100.0%</u>
Less:				
Allowance for doubtful accounts	579,729		515,439	
Allowance for contractual adjustments	<u>1,505,000</u>		<u>1,563,000</u>	
	<u>\$ 4,482,252</u>		<u>\$ 4,439,500</u>	

Allowance for Doubtful Accounts:

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Balance, beginning	\$ 515,439	\$ 548,000
Provision for bad debts	1,239,893	1,193,458
Recoveries of accounts previously written off	<u>184,067</u>	<u>103,977</u>
	1,939,399	1,845,435
Accounts written off	<u>1,359,670</u>	<u>1,329,996</u>
Balance, ending	<u>\$ 579,729</u>	<u>\$ 515,439</u>

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Inventory/Prepaid Expense
June 30,

	2007	2006
<u>Inventory</u>		
Store room	\$ 118,710	\$ 105,902
Dietary	12,354	8,124
Pharmacy	204,965	136,802
Laboratory	85,481	83,114
Operating room	877,844	592,751
Radiology	11,728	11,077
	\$ 1,311,082	\$ 937,770
 <u>Prepaid Expense</u>		
Insurance	\$ 43,115	\$ 48,405
Dues and contracts	113,740	80,642
	\$ 156,855	\$ 129,047

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Patient Service Revenue
Year ended June 30,

	2007	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical and surgical	\$ 2,646,424	\$ 838,561
Coronary care	181,545	752
Nursery	303,396	--
Obstetrics	428,940	38,124
Swing bed	--	--
Vision Quest	1,829,137	--
	<u>5,389,442</u>	<u>877,437</u>
Other Nursing Services:		
Operating and recovery rooms	980,134	2,565,983
Delivery and labor rooms	236,779	95,548
Central services and supply	1,216,544	843,479
Wound/ostomy care	36,403	23,742
Emergency services	169,182	2,441,438
Cardiac rehabilitation and stress test	32,433	391,713
	<u>2,671,475</u>	<u>6,361,903</u>
Other Professional Services:		
Emergency room physicians	56,780	1,424,259
Laboratory	697,170	1,790,362
Electrocardiology	--	17,388
Electroencephalography	7,595	25,123
Radiology	114,925	980,243
Ultrasound	31,361	343,883
Nuclear scanning	1,965	80,464
MRI scanning	101,748	1,747,903
CT scanning	341,875	2,679,998
Outsourced services	79,979	493,606
Pharmacy	1,741,740	1,886,291
Oncology	42,097	192,890
Anesthesiology	364,924	709,524
Respiratory therapy	775,637	610,728
Physical therapy	81,300	980,142
Occupational therapy	45,166	118,386
Speech therapy	11,608	102,135
Massage therapy	--	43,926
Ambulance	153,791	1,185,232
Community health	--	1,489,810
Hospice	--	760,041
Occupational health	--	189,238
New Directions	72,081	1,035,035
Physician clinic	--	1,904,397
	<u>4,721,742</u>	<u>20,791,004</u>
	<u>\$ 12,782,659</u>	<u>\$ 28,030,344</u>

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2007		2006
Swing Bed	Total	Total
\$ --	\$ 3,484,985	\$ 3,280,697
--	182,297	205,375
--	303,396	277,200
--	467,064	426,111
620,076	620,076	590,292
--	<u>1,829,137</u>	<u>1,756,270</u>
<u>620,076</u>	<u>6,886,955</u>	<u>6,535,945</u>
13,519	3,559,636	3,951,019
--	332,327	330,637
12,496	2,072,519	1,585,495
13,715	73,860	38,917
--	2,610,620	2,400,609
--	<u>424,146</u>	<u>445,760</u>
<u>39,730</u>	<u>9,073,108</u>	<u>8,752,437</u>
--	1,481,039	1,481,023
72,155	2,559,687	2,402,804
--	17,388	25,659
1,169	33,887	35,154
10,485	1,105,653	1,103,126
2,172	377,416	313,288
689	83,118	47,891
9,266	1,858,917	2,061,363
--	3,021,873	2,778,471
7,591	581,176	592,969
238,767	3,866,798	3,186,219
644	235,631	351,163
4,362	1,078,810	638,282
223,981	1,610,346	1,451,732
140,216	1,201,658	1,174,549
103,272	266,824	389,425
22,504	136,247	124,183
--	43,926	42,245
13,835	1,352,858	1,224,104
--	1,489,810	1,427,394
--	760,041	637,324
--	189,238	193,023
--	1,107,116	944,567
--	<u>1,904,397</u>	<u>1,898,317</u>
<u>851,108</u>	<u>26,363,854</u>	<u>24,524,275</u>
<u>\$ 1,510,914</u>	<u>\$ 42,323,917</u>	<u>\$ 39,812,657</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Revenue and Related Adjustments
Year ended June 30,

	2007	2006
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 42,323,917	\$ 39,812,657
Contractual adjustments	(14,131,877)	(14,309,300)
Provision for bad debts	(1,239,893)	(1,193,458)
	\$ 26,952,147	\$ 24,309,899
 <u>Other Revenue</u>		
Cafeteria	\$ 94,336	\$ 93,094
Catering	29,352	35,843
Medical record transcripts	233	717
Non-patient supplies	1,590	336
Outpatient clinics	59,477	61,569
Dietary services	19,296	35,782
Medical Alert	--	1,410
Miscellaneous	2,400	4,450
	\$ 206,684	\$ 233,201

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Nursing Service Expenses
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Administrative:		
Salaries and wages	\$ 152,108	\$ 260,172
Employee benefits	22,172	2,188
Supplies and other expense	<u>23,259</u>	<u>25,479</u>
	197,539	287,839
Medical and Surgical:		
Salaries and wages	1,631,216	1,492,605
Employee benefits	238,129	224,660
Supplies and other expense	<u>177,123</u>	<u>158,855</u>
	2,046,468	1,876,120
Obstetrics:		
Salaries and wages	244,242	267,041
Employee benefits	31,036	39,677
Supplies and other expense	<u>48,855</u>	<u>59,627</u>
	324,133	366,345
Nursery:		
Salaries and wages	120,055	107,009
Employee benefits	13,469	12,538
Supplies and other expense	<u>6,053</u>	<u>2,376</u>
	139,577	121,923
Vision Quest:		
Salaries and wages	656,714	593,462
Employee benefits	83,749	81,946
Supplies and other expense	<u>50,364</u>	<u>184,672</u>
	790,827	860,080
Operating and Recovery Rooms:		
Salaries and wages	677,121	624,373
Employee benefits	92,929	71,137
Supplies and other expense	<u>423,066</u>	<u>713,661</u>
	1,193,116	1,409,171
Delivery and Labor Rooms:		
Salaries and wages	113,334	81,145
Employee benefits	14,673	9,588
Supplies and other expense	<u>1,518</u>	<u>141</u>
	129,525	90,874

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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Nursing Service Expenses - Continued
Year ended June 30,

	2007	2006
Central Services and Supply:		
Supplies and other expense	\$ 295,903	\$ 385,210
Wound/Ostomy Care:		
Salaries and wages	18,777	18,498
Employee benefits	3,116	2,509
Supplies and other expense	7,494	2,066
	29,387	23,073
Emergency Services:		
Salaries and wages	574,435	316,163
Employee benefits	93,277	40,472
Supplies and other expense	85,987	74,979
	753,699	431,614
Cardiac Rehabilitation:		
Salaries and wages	46,677	40,648
Employee benefits	4,491	6,847
Supplies and other expense	38,533	42,266
	89,701	89,761
	\$ 5,989,875	\$ 5,942,010

SUMMARY

Salaries and wages	\$ 4,234,679	\$ 3,801,116
Employee benefits	597,041	491,562
Supplies and other expense	1,158,155	1,649,332
	\$ 5,989,875	\$ 5,942,010

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Other Professional Service Expenses
Year ended June 30,

	2007	2006
Emergency Room Physicians:		
Salaries and wages	\$ 847,190	\$ 823,912
Employee benefits	77,082	18,248
Professional fees	6,036	3,857
Supplies and other expense	<u>22,852</u>	<u>10,974</u>
	953,160	856,991
Laboratory:		
Salaries and wages	324,501	329,290
Employee benefits	39,628	44,347
Professional fees	213,423	194,353
Supplies and other expense	<u>278,306</u>	<u>293,025</u>
	855,858	861,015
Electroencephalography and Electrocardiology:		
Salaries and wages	918	349
Employee benefits	<u>66</u>	<u>25</u>
	984	374
Oncology:		
Salaries and wages	85,766	89,053
Employee benefits	10,416	9,742
Supplies and other expense	<u>11,209</u>	<u>63,318</u>
	107,391	162,113
Radiology and Ultrasound:		
Salaries and wages	418,059	406,871
Employee benefits	52,436	54,070
Supplies and other expense	<u>531,676</u>	<u>504,610</u>
	1,002,171	965,551
Nuclear Scanning:		
Purchased services	44,871	32,099
Outsourced Services:		
Purchased services	243,294	256,126
Supplies and other expense	<u>--</u>	<u>61</u>
	243,294	256,187

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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Pharmacy:		
Salaries and wages	\$ 212,994	\$ 249,632
Employee benefits	16,052	30,149
Drugs and other expense	<u>1,072,192</u>	<u>696,644</u>
	1,301,238	976,425
 Anesthesiology:		
Salaries and wages	166,147	--
Employee benefits	22,068	--
Supplies and other expense	<u>48,294</u>	<u>47,012</u>
	236,509	47,012
 Respiratory Therapy:		
Salaries and wages	329,970	271,245
Employee benefits	42,643	34,369
Professional fees	13,004	9,925
Supplies and other expense	<u>55,441</u>	<u>50,961</u>
	441,058	366,500
 Physical Therapy:		
Professional fees	549,559	521,264
Supplies and other expense	<u>19,459</u>	<u>15,806</u>
	569,018	537,070
 Speech Therapy:		
Salaries and wages	51,687	49,609
Employee benefits	7,128	6,227
Professional fees	70	160
Supplies and other expense	<u>4,707</u>	<u>3,632</u>
	63,592	59,628
 Occupational Therapy:		
Professional fees	122,050	172,674
Supplies and other expense	<u>2,973</u>	<u>1,386</u>
	125,023	174,060
 Ambulance:		
Salaries and wages	247,884	447,292
Employee benefits	16,942	58,824
Purchased services	1,583	1,398
Supplies and other expense	<u>36,566</u>	<u>36,512</u>
	302,975	544,026

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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Community Health:		
Salaries and wages	\$ 844,557	\$ 785,095
Employee benefits	117,928	108,443
Purchased services	152,155	143,449
Supplies and other expense	<u>113,239</u>	<u>113,016</u>
	1,227,879	1,150,003
Hospice:		
Salaries and wages	429,637	427,811
Employee benefits	56,334	50,210
Supplies and other expense	<u>155,282</u>	<u>162,753</u>
	641,253	640,774
Medical Records:		
Salaries and wages	297,668	264,463
Employee benefits	39,733	35,388
Supplies and other expense	<u>53,573</u>	<u>60,868</u>
	390,974	360,719
Physician Clinic:		
Salaries and wages	2,042,293	1,851,555
Employee benefits	146,087	153,052
Supplies and other expense	<u>273,105</u>	<u>149,556</u>
	2,461,485	2,154,163
Outpatient Clinics:		
Salaries and wages	626	1,144
Employee benefits	6	84
Purchased services	--	500
Supplies and other expense	<u>--</u>	<u>2,910</u>
	632	4,638
Dietician Services:		
Salaries and wages	37,970	78,380
Employee benefits	2,593	10,023
Supplies and other expense	<u>2,725</u>	<u>5,680</u>
	43,288	94,083
New Directions:		
Salaries and wages	781,715	673,896
Employee benefits	90,178	89,176
Purchased services	38,957	40,629
Supplies and other expense	<u>50,236</u>	<u>58,274</u>
	961,086	861,975

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MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Other Professional Service Expenses - Continued
Year ended June 30,

	2007	2006
Occupational Health:		
Salaries and wages	\$ 112,862	\$ 113,648
Employee benefits	12,445	18,211
Purchased services	2,825	6,295
Supplies and other expense	23,924	22,563
	152,056	160,717
Employee Health:		
Salaries and wages	28,079	--
Employee benefits	1,958	--
Supplies and other expense	7,168	--
	37,205	--
Mahaska Med Spa:		
Salaries and wages	61,269	47,883
Employee benefits	7,350	6,460
Supplies and other expense	40,302	44,974
	108,921	99,317
Massage Therapy:		
Salaries and wages	36,640	31,958
Employee benefits	3,866	5,445
Purchased services	971	--
Supplies and other expense	625	539
	42,102	37,942
	\$ 12,314,023	\$ 11,403,382

SUMMARY

Salaries and wages	\$ 7,358,432	\$ 6,943,086
Employee benefits	762,939	732,493
Professional fees	904,142	902,233
Supplies and other expense	3,288,510	2,825,570
	\$ 12,314,023	\$ 11,403,382

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
General Service Expenses
Year ended June 30,

	2007	2006
Dietary:		
Salaries and wages	\$ 223,348	\$ 231,592
Employee benefits	21,708	32,076
Food	132,987	116,624
Supplies and other expense	145,925	26,732
	523,968	407,024
Operation of Plant:		
Salaries and wages	210,882	234,200
Employee benefits	24,134	33,884
Utilities	447,658	450,719
Supplies and other expense	440,699	350,566
	1,123,373	1,069,369
Environmental Services:		
Salaries and wages	294,707	298,747
Employee benefits	39,945	33,827
Supplies and other expense	46,445	43,377
	381,097	375,951
Laundry and Linen:		
Salaries and wages	115,196	112,559
Employee benefits	15,900	15,817
Supplies and other expense	18,791	14,869
	149,887	143,245
	\$ 2,178,325	\$ 1,995,589

SUMMARY

Salaries and wages	\$ 844,133	\$ 877,098
Employee benefits	101,687	115,604
Supplies and other expense	1,232,505	1,002,887
	\$ 2,178,325	\$ 1,995,589

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Administrative:		
Salaries and wages	\$ 863,789	\$ 809,217
Employee benefits	109,255	107,658
Professional fees	88,227	96,252
Supplies and other expense	301,919	359,544
Purchased services	77,668	59,363
Travel and education	15,288	19,067
Telephone	3,055	5,061
Dues, subscriptions and licenses	70,883	42,225
Collection fees	92,650	106,096
	<u>1,622,734</u>	<u>1,604,483</u>
Information Systems:		
Salaries and wages	110,311	114,677
Employee benefits	16,039	14,627
Purchased services	128,562	7,691
Supplies and other expense	14,475	93,039
	<u>269,387</u>	<u>230,034</u>
Purchasing:		
Salaries and wages	81,501	100,610
Employee benefits	5,942	14,315
Supplies and other expense	19,450	9,229
	<u>106,893</u>	<u>124,154</u>
Public Relations:		
Salaries and wages	99,078	77,642
Employee benefits	14,577	7,573
Supplies and other expense	86,167	65,904
	<u>199,822</u>	<u>151,119</u>
Human Resources:		
Salaries and wages	148,881	77,337
Employee benefits	20,166	9,407
Purchased services	16,088	6,434
Supplies and other expense	33,900	28,307
	<u>219,035</u>	<u>121,485</u>

(continued next page)

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	2007	2006
Quality Management:		
Salaries and wages	\$ 34,443	\$ 36,016
Employee benefits	4,420	6,129
Supplies and other expense	13,519	18,887
	52,382	61,032
Support Services:		
Employee benefits	4,091	--
Supplies and other expense	81	--
	4,172	--
Employee Welfare:		
Unemployment tax	5,317	16,747
Group health and life insurance	1,543,475	1,140,632
Workers' compensation insurance	175,213	159,291
	1,724,005	1,316,670
Insurance:		
Insurance and bonding expense	340,650	349,710
	\$ 4,539,080	\$ 3,958,687

SUMMARY

Salaries and wages	\$ 1,338,003	\$ 1,215,499
Employee benefits	1,898,495	1,476,379
Professional fees	88,227	96,252
Supplies and other expense	1,214,355	1,170,557
	\$ 4,539,080	\$ 3,958,687

SUMMARY OF EXPENSES

Salaries and wages	\$ 13,775,247	\$ 12,836,799
Employee benefits	3,360,162	2,816,038
Professional fees	992,369	998,485
Supplies and other expense	6,893,525	6,648,346
	\$ 25,021,303	\$ 23,299,668

See Independent Auditor's Report.



MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Comparative Statistics
Year ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Acute Care:					
Admissions	1,260	1,273	1,417	1,255	1,077
Discharges	1,260	1,271	1,421	1,260	1,076
Patient days	4,012	3,847	4,589	4,360	3,502
Average length of stay	3.18	3.03	3.23	3.46	3.25
Average occupied beds	11.0	10.5	12.6	11.9	9.6
Vision Quest:					
Admissions	129	164	143	114	--
Discharges	129	163	142	110	--
Patient days	1,849	1,834	1,436	1,279	--
Average length of stay	14.33	11.25	10.11	11.63	--
Average occupied beds	5.1	5.0	3.9	3.5	--
Swing Bed:					
Admissions	205	241	321	242	183
Discharges	208	244	318	241	181
SNF days	1,399	1,375	2,065	1,463	1,351
ICF days	7	4	50	29	62
Combined Average Occupied Beds	19.9	19.3	22.3	19.5	13.5
Nursery Days	524	495	505	540	423
Home Health Visits	20,390	19,783	20,326	20,235	18,235
Outpatient Occasions of Service	89,780	90,368	89,488	78,536	72,142

See Independent Auditor's Report.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Comparative Balance Sheets
June 30,

	2007	2006
Current Assets:		
Cash	\$ 4,137,686	\$ 2,476,109
Receivables	4,552,488	4,516,224
Inventory	1,311,082	937,770
Prepaid expense	156,855	129,047
Estimated third-party payor settlements	152,000	88,000
Succeeding year property tax receivable	1,800,000	1,750,000
Internally designated assets	1,591,679	1,453,501
Total current assets	13,701,790	11,350,651
Other Assets:		
Designated and restricted assets, net	2,588,019	2,590,723
Capital assets, net	20,936,862	22,469,617
Other assets	66,642	87,384
Total other assets	23,591,523	25,147,724
	\$ 37,293,313	\$ 36,498,375
Current Liabilities:		
Current maturities of long-term debt	\$ 1,228,096	\$ 1,186,781
Accounts payable	654,029	704,343
Accrued expenses	1,313,936	1,264,523
Due to restricted assets	--	--
Deferred revenue for succeeding year property tax receivable	1,800,000	1,750,000
Total current liabilities	4,996,061	4,905,647
Long-Term Debt, Net	7,520,416	8,746,717
Net Assets	24,776,836	22,846,011
	\$ 37,293,313	\$ 36,498,375

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,783,416	\$ 1,023,405	\$ 558,619
5,061,201	5,208,426	3,401,067
878,658	963,833	509,144
126,380	36,058	35,486
17,000	231,000	27,000
1,675,000	1,599,000	1,562,000
<u>1,429,321</u>	<u>1,436,637</u>	<u>1,495,466</u>
10,970,976	10,498,359	7,588,782
2,276,622	2,134,769	6,917,672
23,289,497	24,289,272	21,122,943
214,099	300,099	194,491
<u>25,780,218</u>	<u>26,724,140</u>	<u>28,235,106</u>
<u>\$ 36,751,194</u>	<u>\$ 37,222,499</u>	<u>\$ 35,823,888</u>
\$ 1,121,507	\$ 1,083,702	\$ 1,063,108
634,006	838,743	1,089,729
1,659,740	1,490,939	1,225,488
--	--	8,116
<u>1,675,000</u>	<u>1,599,000</u>	<u>1,562,000</u>
5,090,253	5,012,384	4,948,441
9,801,879	10,887,057	9,812,198
<u>21,859,062</u>	<u>21,323,058</u>	<u>21,063,249</u>
<u>\$ 36,751,194</u>	<u>\$ 37,222,499</u>	<u>\$ 35,823,888</u>

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Comparative Statements of Revenues and Expenses
Year ended June 30,

	<u>2007</u>	<u>2006</u>
Patient Service Revenue	\$ 42,323,917	\$ 39,812,657
Adjustments to Patient Service Revenue	<u>(15,371,770)</u>	<u>(15,502,758)</u>
Net Patient Service Revenue	26,952,147	24,309,899
Other Revenue	<u>206,684</u>	<u>233,201</u>
Total Revenue	27,158,831	24,543,100
Expenses	<u>27,345,916</u>	<u>25,601,265</u>
Operating Loss	(187,085)	(1,058,165)
Non-Operating Income	<u>2,117,910</u>	<u>2,045,114</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Unusual Item	1,930,825	986,949
Unusual Item	<u> --</u>	<u> --</u>
Excess of Revenues Over Expenses	<u>\$ 1,930,825</u>	<u>\$ 986,949</u>

See Independent Auditor's Report.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 39,310,797	\$ 34,656,187	\$ 24,851,237
(15,966,812)	(13,333,234)	(8,792,906)
23,343,985	21,322,953	16,058,331
<u>270,723</u>	<u>287,386</u>	<u>251,589</u>
23,614,708	21,610,339	16,309,920
<u>25,301,829</u>	<u>23,137,702</u>	<u>18,399,286</u>
(1,687,121)	(1,527,363)	(2,089,366)
<u>2,223,125</u>	<u>1,787,172</u>	<u>1,976,139</u>
536,004	259,809	(113,227)
<u>--</u>	<u>--</u>	<u>229,892</u>
<u>\$ 536,004</u>	<u>\$ 259,809</u>	<u>\$ 116,665</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
Mahaska County Hospital
(d/b/a Mahaska Health Partnership)
Oskaloosa, Iowa

We have audited the financial statements of Mahaska County Hospital (d/b/a Mahaska Health Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 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 Mahaska County Hospital's (d/b/a Mahaska Health Partnership) 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 Mahaska County Hospital's (d/b/a Mahaska Health Partnership) 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
Mahaska County Hospital
(d/b/a Mahaska Health Partnership)

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 Mahaska County Hospital's (d/b/a Mahaska Health Partnership) 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.

Mahaska County Hospital's (d/b/a Mahaska Health Partnership) 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 Mahaska County Hospital (d/b/a Mahaska Health Partnership) 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.

Granville, Bell, Kyhn + Co. P.C.

Atlantic, Iowa
October 19, 2007

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
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>
Sodexho	Employee recognition banquet	\$ 5,633

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.

MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)
Schedule of Findings - Continued
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: During our audit, we noted no business transactions with Hospital employees or officials.

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.

* * *