

Regional  Medical Center

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER**

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**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
BOARD OF TRUSTEES AND MEDICAL CENTER OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u>		
Joe Keith	Chairperson	December 31, 2012
Steve Palmer	Vice-Chairperson	December 31, 2008
Suzanne Britt	Treasurer	December 31, 2010
Kathy Waterman	Secretary	December 31, 2010
Kay Harris	Member	December 31, 2012
John Tinker	Member	December 31, 2008
Bev Preussner	Member	December 31, 2008
<u>Medical Center Officials</u>		
Lon Butikofer, RN, Ph.D	Chief Executive Officer	
Danette Kramer	Vice President of Finance/CFO	



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Delaware County Memorial Hospital
d/b/a Regional Medical Center
Manchester, Iowa

We have audited the accompanying balance sheets of Delaware County Memorial Hospital, d/b/a Regional Medical Center, as of June 30, 2008 and 2007, 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 Medical Center'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 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 Delaware County Memorial Hospital, d/b/a Regional Medical Center, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008, on our consideration of the Medical Center'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.

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Management's Discussion and Analysis on pages 4 and 5 and the Budgetary Comparison Information on pages 22 and 23 are not required parts 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. We did not audit the information and express no opinion on it.

Eide Bailly LLP

Dubuque, Iowa
August 11, 2008

Delaware County Memorial Hospital d/b/a Regional Medical Center

Management's Discussion and Analysis

This section of Regional Medical Center's annual financial report presents background information and management's analysis of the financial performance during the fiscal year that ended June 30, 2008. We encourage readers to read this analysis in conjunction with the financial statements in this report.

Financial Highlights

- The Medical Center's total assets increased by \$2,606,523 or 11.7%.
- The Medical Center's assets exceeded liabilities by \$20,672,224 at June 30, 2008.
- During the year, the Medical Center's total operating revenues increased 10.5% to \$23,701,352, while the operating expenses increased 6.1% to \$21,448,359. The Medical Center had income from operations of \$2,252,993 which is 9.5% of total operating revenues.
- The Medical Center made capital equipment and building investments totaling \$769,295 during the fiscal year. The source of funding for these items was derived from operations.

Overview of the Financial Statements

The basic financial statements of the Medical Center report information using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term information about its activities.

The balance sheets provide information about the nature and amounts of the Medical Center's assets and liabilities. The balance sheet at June 30, 2008, reports total assets of \$24,805,309, total liabilities of \$4,133,085 and net assets of \$20,672,224.

The statements of revenues, expenses, and changes in net assets provide information on the Medical Center's revenues and expenses. These statements indicate total operating revenues of \$23,701,352 and total operating expenses of \$21,448,359 during fiscal year 2008. The operating income was \$2,252,993 in 2008, compared to an operating income of \$1,227,596 in 2007.

There are notes to the financial statements included in the audit report. All of the notes are consistent with and similar to audit reports from prior years. There are also several supplementary schedules that provide the reader detail about the source of the Medical Center's revenues and expenses. The reader is encouraged to examine these notes and schedules for additional information.

Long-term Debt

At year-end, Regional Medical Center had \$1,129,792 in short-term and long-term debt. The debt was incurred to help facilitate cash flows during the construction and renovation of new clinical areas and to finance the purchase of a multi-slice CT scanner.

Factors Bearing on Financial Future

Regional Medical Center has plans to borrow up to \$8,000,000 in FY 2009 to construct, equip and furnish an addition for an expanded Special Care Unit, to remodel, renovate, equip and furnish the Inpatient Medical/Surgical Department, and to acquire and install a new computer system.

Requests for Information

Questions regarding the information provided in this report or requests for additional financial information should be addressed to the office of the Chief Financial Officer at the following address:

Regional Medical Center
Attn: Chief Financial Officer
709 West Main Street
Manchester, IA 52057

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
BALANCE SHEETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,005,254	\$ 836,000
Receivables		
Patient, net of estimated uncollectibles		
of \$2,941,000 in 2008 and \$2,663,000 in 2007	3,680,226	3,337,047
Succeeding year property tax	797,436	747,666
Estimated third-party payor settlements	720,000	-
Other	192,916	166,412
Supplies	381,213	331,348
Prepaid expense	154,056	191,386
	<u>6,931,101</u>	<u>5,609,859</u>
ASSETS LIMITED AS TO USE OR RESTRICTED - Note 4		
Investments		
By board for capital improvements	2,170,318	389,832
	<u>13,505,880</u>	<u>14,323,084</u>
LAND, BUILDINGS, AND EQUIPMENT, net - Note 5		
	<u>13,505,880</u>	<u>14,323,084</u>
OTHER ASSETS		
Gift fund investments - Note 6	1,955,105	1,643,114
Beneficial interest in charitable trust	148,000	148,000
Joint ventures - Note 7	94,905	84,897
	<u>2,198,010</u>	<u>1,876,011</u>
Total other assets		
	<u>2,198,010</u>	<u>1,876,011</u>
Total assets		
	<u>\$ 24,805,309</u>	<u>\$ 22,198,786</u>

See notes to financial statements.

	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt - Note 9	\$ 473,766	\$ 535,073
Accounts payable		
Trade	640,516	574,684
Construction	83,707	74,507
Estimated third-party payor settlements	-	200,000
Accrued expenses		
Salaries and wages	291,769	319,395
Paid leave	987,074	941,080
Interest	1,357	2,714
Payroll taxes and other	201,434	84,095
Deferred revenue for succeeding year property tax receivable	<u>797,436</u>	<u>747,666</u>
Total current liabilities	3,477,059	3,479,214
LONG-TERM DEBT, less current maturities - Note 9	<u>656,026</u>	<u>1,129,791</u>
Total liabilities	<u>4,133,085</u>	<u>4,609,005</u>
NET ASSETS		
Invested in capital assets, net of related debt	12,376,088	12,658,220
Restricted		
Nonexpendable beneficial interest in charitable trust	148,000	148,000
Unrestricted	<u>8,148,136</u>	<u>4,783,561</u>
Total net assets	<u>20,672,224</u>	<u>17,589,781</u>
Total liabilities and net assets	<u>\$ 24,805,309</u>	<u>\$ 22,198,786</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of \$606,321 in 2008 and \$551,579 in 2007) - Notes 2 and 3	\$ 23,150,128	\$ 20,937,096
Other operating revenues	<u>551,224</u>	<u>503,824</u>
TOTAL OPERATING REVENUES	<u>23,701,352</u>	<u>21,440,920</u>
OPERATING EXPENSES		
Salaries and wages	9,694,210	9,097,829
Supplies and other expenses	10,186,695	9,614,697
Depreciation and amortization	<u>1,567,454</u>	<u>1,500,798</u>
TOTAL OPERATING EXPENSES	<u>21,448,359</u>	<u>20,213,324</u>
OPERATING INCOME	<u>2,252,993</u>	<u>1,227,596</u>
NONOPERATING REVENUES (EXPENSES)		
County tax revenue	747,149	682,983
Noncapital contributions	43,223	33,157
Interest expense	(61,852)	(73,428)
Investment income	113,673	113,942
Loss on disposal of capital assets	<u>(12,743)</u>	<u>(90,269)</u>
NET NONOPERATING REVENUES	<u>829,450</u>	<u>666,385</u>
REVENUES IN EXCESS OF EXPENSES	3,082,443	1,893,981
OTHER CHANGE IN NET ASSETS		
Beneficial interest in charitable trust	<u>-</u>	<u>148,000</u>
INCREASE IN NET ASSETS	3,082,443	2,041,981
NET ASSETS BEGINNING OF YEAR	<u>17,589,781</u>	<u>15,547,800</u>
NET ASSETS END OF YEAR	<u>\$ 20,672,224</u>	<u>\$ 17,589,781</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of patient service revenue	\$ 21,886,949	\$ 19,744,973
Payments of salaries, wages, and benefits	(9,558,503)	(9,051,205)
Payments of supplies and other expenses	(10,133,398)	(9,657,880)
Other receipts	<u>524,720</u>	<u>441,214</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,719,768</u>	<u>1,477,102</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County tax received	747,149	682,983
Noncapital contributions	<u>43,223</u>	<u>33,157</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>790,372</u>	<u>716,140</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(769,296)	(2,967,827)
Proceeds from note payable	-	1,106,199
Principal paid on debt	(535,072)	(692,964)
Interest paid on debt	(63,209)	(71,774)
Increase (decrease) in construction payable	9,200	(6,393)
Proceeds from sale of equipment	<u>6,303</u>	<u>15,000</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,352,074)</u>	<u>(2,617,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in assets limited as to use or restricted	(1,780,486)	321
Increase in gift fund investments	(311,991)	(81,335)
(Increase) decrease in joint ventures	(10,008)	3,677
Investment income	<u>113,673</u>	<u>113,942</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(1,988,812)</u>	<u>36,605</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169,254	(387,912)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>836,000</u>	<u>1,223,912</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,005,254</u>	<u>\$ 836,000</u>

(continued)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,252,993	\$ 1,227,596
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,567,454	1,500,798
Provision for bad debts	606,321	551,579
Changes in assets and liabilities		
Receivables	(976,004)	(1,246,312)
Supplies	(49,865)	(17,732)
Prepaid expense	37,330	(60,456)
Accounts payable - trade	65,832	35,005
Estimated third-party payor settlements	(920,000)	(560,000)
Accrued expenses	<u>135,707</u>	<u>46,624</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 2,719,768</u>	 <u>\$ 1,477,102</u>
 SUPPLEMENTAL NONCASH CAPITAL ACTIVITY		
Capital asset purchases included in accounts payable at June 30, 2008 and 2007	 <u>\$ 83,707</u>	 <u>\$ 74,507</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Delaware County Memorial Hospital, d/b/a Regional Medical Center, (Medical Center) is a 25-bed public Medical Center located in Manchester, Iowa, organized under Chapter 347 of the Iowa Code and governed by a seven member Board of Trustees elected for alternating terms of six years. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Manchester, Iowa, and the surrounding area. The Medical Center is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Medical Center's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Medical Center. The Medical Center has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The balance sheet displays the Medical Center's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Medical Center's policy to use restricted resources first.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Medical Center reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Health Care Organizations* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Medical Center applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased, excluding assets limited as to use or restricted and gift fund investments.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables are not charged interest on amounts owed.

Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes which represent unpaid taxes for the current and prior years are recorded in other receivables. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of 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.

Supplies

Supplies are stated at lower of average cost or market.

Assets Limited as to Use or Restricted

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Medical Center for its stated purposes.

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions in excess of \$5,000 are capitalized and are recorded at cost. Land, buildings, and equipment donated for Medical Center operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Amortization is included in depreciation and amortization in the financial statements. Interest expense related to construction projects is capitalized. The estimated useful lives of property and equipment are as follows:

Land improvements	5-15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

Compensated Absences

Medical Center employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid leave is recorded as a current liability on the balance sheet. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable.

Operating Revenues and Expenses

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

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. 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 and a provision for uncollectible accounts. 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.

Charity Care

To fulfill its mission of community service, the Medical Center 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 Medical Center does not pursue collection of the amounts. The resulting adjustments are recorded as adjustments to patient service revenue, depending on the timing of the charity determination.

Investment Income

Interest on cash and deposits is included in nonoperating revenues and expenses.

Advertising Costs

The Medical Center expenses advertising costs as incurred.

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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 nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Reclassification

Certain items from the 2007 financial statements have been reclassified to conform to the current year presentation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

NOTE 2 – CHARITY CARE

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amounts of charges foregone for services and supplies furnished under its charity care policy during the years ended June 30, 2008 and 2007, were \$350,137 and \$287,253, respectively. The estimated costs of the charges foregone, based upon the Medical Center's overall cost to charge ratio calculation, for the years ended June 30, 2008 and 2007, were \$218,000 and \$187,000, respectively.

NOTE 3 – NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2006. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medical Center.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2004.

Other Payers

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements may include prospectively determined rates and discounts from established charges.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 11%, respectively, of the Medical Center's net patient service revenue for the year ended June 30, 2008, and 38% and 9%, respectively, of the Medical Center's net patient service revenue for the year ended June 30, 2007.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the years ended June 30, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
Total patient service revenue	<u>\$ 33,281,162</u>	<u>\$ 30,119,491</u>
Contractual adjustments		
Medicare	(5,585,873)	(4,855,978)
Medicaid	(986,515)	(1,610,320)
Other	<u>(2,952,325)</u>	<u>(2,164,518)</u>
Total contractual adjustments	<u>(9,524,713)</u>	<u>(8,630,816)</u>
Net patient service revenue	23,756,449	21,488,675
Provision for bad debts	<u>(606,321)</u>	<u>(551,579)</u>
Net patient service revenue (net of provision for bad debts)	<u>\$ 23,150,128</u>	<u>\$ 20,937,096</u>

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4 – CASH AND DEPOSITS

The Medical Center’s deposits in banks at June 30, 2008 and 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 insure there will be no loss of public funds.

The Medical Center 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.

Investments reported are not subject to risk categorization. Savings accounts classified as investments in the financial statements are presented as cash and deposits in this note.

At June 30, 2008 and 2007, the Medical Center’s carrying amounts of cash and deposits are as follows:

	<u>2008</u>	<u>2007</u>
Assets limited as to use or restricted by		
Board for capital improvements		
Savings accounts	<u>\$ 2,170,318</u>	<u>\$ 389,832</u>

The Medical Center’s investment policy states that for the general savings account, floating bond fund, designating funds, and investable funds shall have maturities that do not exceed one year. Any funds that are to be invested longer must have advance approval by the Finance Committee. All of the above cash and deposits have a maturity date of less than one year.

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Medical Center are:

1. **Safety:** Safety and preservation of principal in the overall portfolio.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities.
3. **Return:** Obtaining a reasonable return.

The Medical Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment activity for the years ended June 30, 2008 and 2007, was as follows:

	June 30, 2007				June 30, 2008
	Balance	Additions	Deductions	Transfers	Balance
Cost					
Land	\$ 70,419	\$ -	\$ -	\$ -	\$ 70,419
Land improvements	1,282,194	8,870	-	-	1,291,064
Buildings	16,769,016	276,403	-	15,689	17,061,108
Leasehold improvements	69,472	5,931	-	-	75,403
Equipment	8,355,310	271,470	(875,260)	-	7,751,520
Construction in progress	18,228	206,621	-	(15,689)	209,160
	<u>26,564,639</u>	<u>\$ 769,295</u>	<u>\$ (875,260)</u>	<u>\$ -</u>	<u>26,458,674</u>
Accumulated depreciation					
Land improvements	484,927	\$ 71,048	\$ -	\$ -	555,975
Buildings	6,055,966	717,743	-	-	6,773,709
Leasehold improvements	18,731	4,054	-	-	22,785
Equipment	5,681,931	774,609	(856,215)	-	5,600,325
	<u>12,241,555</u>	<u>\$ 1,567,454</u>	<u>\$ (856,215)</u>	<u>\$ -</u>	<u>12,952,794</u>
Total land, buildings, and equipment, net	<u>\$ 14,323,084</u>				<u>\$ 13,505,880</u>
	June 30, 2006				June 30, 2007
	Balance	Additions	Deductions	Transfers	Balance
Cost					
Land	\$ 70,419	\$ -	\$ -	\$ -	\$ 70,419
Land improvements	1,140,793	141,401	-	-	1,282,194
Buildings	14,456,728	1,844,212	-	468,076	16,769,016
Leasehold improvements	45,911	23,561	-	-	69,472
Equipment	9,421,573	953,216	(2,019,479)	-	8,355,310
Construction in progress	468,076	18,228	-	(468,076)	18,228
	<u>25,603,500</u>	<u>\$ 2,980,618</u>	<u>\$ (2,019,479)</u>	<u>\$ -</u>	<u>26,564,639</u>
Accumulated depreciation					
Land improvements	417,532	\$ 67,395	\$ -	\$ -	484,927
Buildings	5,424,857	631,109	-	-	6,055,966
Leasehold improvements	16,006	2,725	-	-	18,731
Equipment	6,783,781	799,319	(1,901,169)	-	5,681,931
	<u>12,642,176</u>	<u>\$ 1,500,548</u>	<u>\$ (1,901,169)</u>	<u>\$ -</u>	<u>12,241,555</u>
Total land, buildings, and equipment, net	<u>\$ 12,961,324</u>				<u>\$ 14,323,084</u>

(continued on next page)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 6 – GIFT FUND INVESTMENTS

Gift fund investments under other assets consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Money market account	\$ 1,069,953	\$ 777,521
Savings accounts	17,721	18,715
Certificates of deposit	529,905	508,294
Cash surrender value of life insurance policy	<u>337,526</u>	<u>338,584</u>
	<u>\$ 1,955,105</u>	<u>\$ 1,643,114</u>

NOTE 7 – JOINT VENTURES

The Medical Center has invested monies in various joint ventures for the use of equipment and purchase of services. These joint ventures have been recorded under the equity method of accounting.

NOTE 8 – LEASES

The Medical Center leases building space under lease agreements. Total lease expense for the years ended June 30, 2008 and 2007, for all leases was \$118,064 and \$121,386, respectively.

NOTE 9 – LONG-TERM DEBT

A schedule of changes in the Medical Center's long-term debt for 2008 and 2007 follows:

	<u>June 30</u> <u>2007</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30</u> <u>2008</u> <u>Balance</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
3.95% note payable, due in monthly installments through February 2010, secured by building addition	\$ 557,670	\$ -	\$ 202,259	\$ 355,411	\$ 210,441
4.95% note payable, due in annual installments through October 2008, secured by equipment	142,061	-	110,078	31,983	31,983
4.45% note payable, due in monthly installments through December, 2011, secured by Medical Center revenues	894,334	-	187,336	706,998	195,942

(continued on next page)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

	June 30 2007 <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30 2008 Balance</u>	<u>Amounts Due within One Year</u>
5.75% note payable, due in annual installments through October 2008	\$ 70,799	\$ -	\$ 35,399	<u>\$ 35,400</u>	<u>\$ 35,400</u>
	<u>\$ 1,664,864</u>	<u>\$ -</u>	<u>\$ 535,072</u>	<u>1,129,792</u>	<u>\$ 473,766</u>
Less current maturities				<u>(473,766)</u>	
Long-term debt, less current maturities				<u>\$ 656,026</u>	

Long-term debt maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 473,766	\$ 38,752	\$ 512,518
2010	349,811	20,782	370,593
2011	214,145	9,313	223,458
2012	<u>92,070</u>	<u>1,038</u>	<u>93,108</u>
Total	<u>\$ 1,129,792</u>	<u>\$ 69,885</u>	<u>\$ 1,199,677</u>

	June 30 2006 <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30 2007 Balance</u>	<u>Amounts Due Within One Year</u>
3.95% note payable, due in monthly installments through February 2010, secured by building addition	\$ 752,152	\$ -	\$ 194,482	\$ 557,670	\$ 202,259
4.95% note payable, due in annual installments through October 2008, secured by equipment	246,843	-	104,782	142,061	110,078
4.45% note payable, due in monthly installments through December, 2011, secured by Medical Center revenues	-	1,000,000	105,666	894,334	187,336
5.75% note payable, due in annual installments through October 2008	-	106,199	35,400	70,799	35,400
4.25% note payable, due in monthly installments through December 2006, secured by building addition	<u>252,634</u>	<u>-</u>	<u>252,634</u>	<u>-</u>	<u>-</u>
	<u>\$1,251,629</u>	<u>\$ 1,106,199</u>	<u>\$ 692,964</u>	<u>1,664,864</u>	<u>\$ 535,073</u>
Less current maturities				<u>(535,073)</u>	
Long-term debt, less current maturities				<u>\$ 1,129,791</u>	

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**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 10 – PENSION AND RETIREMENT BENEFITS

The Medical Center 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 3.90% of their annual covered salary, and the Medical Center is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary, and the Medical Center was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$581,494, \$514,515, and \$483,530, respectively, equal to the required contributions for each year.

NOTE 11 – CONTINGENCIES

Malpractice Insurance

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on an occurrence basis subject to a limit of \$1 million per claim and an aggregate limit of \$3 million.

Self-Funded Employee Health Insurance Plan

The Medical Center has a self-funded employee health insurance plan covering substantially all employees. The plan is responsible to pay all administration expenses and benefits up to the reinsurance limits. Liabilities of \$130,092 and 145,000 have been established to record the incurred but not reported claims outstanding at June 30, 2008 and 2007, respectively. The liability is included within trade accounts payable on the balance sheet.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Management believes that the Medical Center is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 12 – RISK MANAGEMENT

The Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Medical Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 13 – CONCENTRATION OF CREDIT RISK

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2008 and 2007, was as follows:

	<u>2008</u>	<u>2007</u>
Medicare	37%	37%
Medicaid	10	9
Commercial insurance	45	47
Other third-party payors and patients	<u>8</u>	<u>7</u>
	<u>100%</u>	<u>100%</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS – BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30, 2008

	Actual Accrual Basis	Accrual Adjustments	Actual Cash Basis	Budget	Variance Favorable (Unfavorable)
Estimated amount to be raised by taxation	\$ 747,149	\$ -	\$ 747,149	\$ 747,666	\$ (517)
Estimated other revenues/receipts	<u>23,858,248</u>	<u>(1,283,380)</u>	<u>22,574,868</u>	<u>23,840,459</u>	<u>(1,265,591)</u>
	24,605,397	(1,283,380)	23,322,017	24,588,125	(1,266,108)
Expenses/disbursements	<u>21,522,954</u>	<u>(462,668)</u>	<u>21,060,286</u>	<u>24,591,259</u>	<u>3,530,973</u>
Net	3,082,443	(820,712)	2,261,731	(3,134)	<u>\$ 2,264,865</u>
Balance beginning of year	<u>17,589,781</u>	<u>(14,720,835)</u>	<u>2,868,946</u>	<u>2,009,309</u>	
Balance end of year	<u>\$ 20,672,224</u>	<u>\$(15,541,547)</u>	<u>\$ 5,130,677</u>	<u>\$ 2,006,175</u>	

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Medical Center preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Medical Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2008.

For the year ended June 30, 2008, the Medical Center's expenditures did not exceed the amount budgeted.



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

The Board of Trustees
Delaware County Memorial Hospital
d/b/a Regional Medical Center
Manchester, Iowa

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the schedule of statistical information on page 33 marked "unaudited," has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 11, 2008

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DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PATIENT SERVICE REVENUE		
Routine services	\$ 3,413,213	\$ 3,069,564
Mental health	2,485,280	2,516,589
Delivery and labor rooms	301,821	216,477
Operating and recovery rooms	3,101,117	2,734,258
Medical supplies	674,671	584,592
Emergency services	3,232,134	2,503,193
Laboratory and blood bank	5,000,847	4,375,990
Electrocardiology	496,382	628,064
Cardiac rehab	74,351	80,275
Radiology	5,649,688	5,236,626
Cardiology	72,391	64,005
Pharmacy	2,676,577	2,619,462
Anesthesiology	992,611	900,629
Respiratory therapy	350,039	263,383
Physical therapy	979,840	1,010,486
Speech therapy	94,884	116,197
Occupational therapy	247,468	234,127
Ambulance	742,494	633,798
Clinic	61,577	57,450
Community health	2,866,498	2,432,560
Public health	117,416	129,019
	<u>33,631,299</u>	<u>30,406,744</u>
Charity care	(350,137)	(287,253)
	<u>33,281,162</u>	<u>30,119,491</u>
Total patient service revenue*	\$ 33,281,162	\$ 30,119,491
*TOTAL PATIENT SERVICE REVENUE - RECLASSIFIED		
Inpatient revenue	\$ 6,496,932	\$ 5,902,110
Outpatient revenue	27,134,367	24,504,634
Charity care	(350,137)	(287,253)
	<u>33,281,162</u>	<u>30,119,491</u>
CONTRACTUAL ADJUSTMENTS		
Medicare	(5,585,873)	(4,855,978)
Medicaid	(986,515)	(1,610,320)
Other	(2,952,325)	(2,164,518)
	<u>(9,524,713)</u>	<u>(8,630,816)</u>
Total contractual adjustments	(9,524,713)	(8,630,816)
NET PATIENT SERVICE REVENUE	23,756,449	21,488,675
PROVISION FOR BAD DEBTS	(606,321)	(551,579)
NET PATIENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS)	\$ 23,150,128	\$ 20,937,096

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OTHER OPERATING REVENUES		
Rent	\$ 201,360	\$ 191,290
Education services	74,445	71,864
Cafeteria	72,316	59,725
Outside pharmacy	60,858	58,279
Massage therapy	50,083	47,106
Purchase discounts	40,723	35,991
Fitness center memberships	23,452	22,511
Vending machines	1,102	1,191
Other	<u>26,885</u>	<u>15,867</u>
 TOTAL OTHER OPERATING REVENUES	 <u>\$ 551,224</u>	 <u>\$ 503,824</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
NURSING ADMINISTRATION		
Salaries and wages	\$ 281,314	\$ 264,606
Supplies and other expenses	<u>30,530</u>	<u>28,872</u>
	<u>311,844</u>	<u>293,478</u>
ROUTINE SERVICES		
Salaries and wages	1,435,194	1,262,496
Supplies and other expenses	<u>160,379</u>	<u>121,464</u>
	<u>1,595,573</u>	<u>1,383,960</u>
NURSERY		
Salaries and wages	66,011	52,253
Supplies and other expenses	<u>10,920</u>	<u>6,329</u>
	<u>76,931</u>	<u>58,582</u>
SPECIAL CARE UNIT		
Salaries and wages	57,658	84,995
Supplies and other expenses	<u>7,277</u>	<u>2,424</u>
	<u>64,935</u>	<u>87,419</u>
MENTAL HEALTH		
Salaries and wages	1,021,606	1,160,204
Supplies and other expenses	<u>519,092</u>	<u>611,767</u>
	<u>1,540,698</u>	<u>1,771,971</u>
DELIVERY AND LABOR ROOMS		
Salaries and wages	26,609	25,526
Supplies and other expenses	<u>7,286</u>	<u>5,946</u>
	<u>33,895</u>	<u>31,472</u>
OPERATING AND RECOVERY ROOMS		
Salaries and wages	404,497	377,414
Supplies and other expenses	<u>153,727</u>	<u>143,321</u>
	<u>558,224</u>	<u>520,735</u>
MEDICAL SUPPLIES		
Supplies and other expenses	<u>379,931</u>	<u>342,491</u>
EMERGENCY SERVICES		
Salaries and wages	459,950	435,539
Supplies and other expenses	<u>919,518</u>	<u>809,763</u>
	<u>1,379,468</u>	<u>1,245,302</u>

(continued)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
LABORATORY AND BLOOD BANK		
Salaries and wages	\$ 472,382	\$ 428,061
Supplies and other expenses	<u>575,592</u>	<u>495,980</u>
	<u>1,047,974</u>	<u>924,041</u>
ELECTROCARDIOLOGY		
Salaries and wages	5,377	4,797
Supplies and other expenses	<u>73,996</u>	<u>123,418</u>
	<u>79,373</u>	<u>128,215</u>
CARDIAC REHAB		
Salaries and wages	29,069	34,283
Supplies and other expenses	<u>1,175</u>	<u>6,038</u>
	<u>30,244</u>	<u>40,321</u>
RADIOLOGY		
Salaries and wages	473,723	451,486
Supplies and other expenses	<u>689,048</u>	<u>546,201</u>
	<u>1,162,771</u>	<u>997,687</u>
CARDIOLOGY		
Salaries and wages	1,623	2,278
Supplies and other expenses	<u>20,925</u>	<u>17,875</u>
	<u>22,548</u>	<u>20,153</u>
PHARMACY		
Salaries and wages	314,783	275,176
Supplies and other expenses	<u>718,631</u>	<u>680,132</u>
	<u>1,033,414</u>	<u>955,308</u>
ANESTHESIOLOGY		
Supplies and other expenses	<u>633,735</u>	<u>601,983</u>
RESPIRATORY THERAPY		
Salaries and wages	70,562	58,348
Supplies and other expenses	<u>14,344</u>	<u>11,532</u>
	<u>84,906</u>	<u>69,880</u>

(continued)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PHYSICAL THERAPY		
Salaries and wages	\$ 456,327	\$ 423,205
Supplies and other expenses	<u>68,328</u>	<u>64,534</u>
	<u>524,655</u>	<u>487,739</u>
SPEECH THERAPY		
Supplies and other expenses	<u>71,071</u>	<u>68,764</u>
OCCUPATIONAL THERAPY		
Supplies and other expenses	<u>127,898</u>	<u>119,907</u>
AMBULANCE		
Salaries and wages	161,614	145,410
Supplies and other expenses	<u>36,864</u>	<u>26,239</u>
	<u>198,478</u>	<u>171,649</u>
CLINIC		
Salaries and wages	108,780	104,184
Supplies and other expenses	<u>7,518</u>	<u>15,032</u>
	<u>116,298</u>	<u>119,216</u>
OUTREACH CLINIC		
Supplies and other expenses	<u>80,754</u>	<u>90,594</u>
COMMUNITY HEALTH		
Salaries and wages	969,374	924,363
Supplies and other expenses	<u>300,044</u>	<u>303,037</u>
	<u>1,269,418</u>	<u>1,227,400</u>
PUBLIC HEALTH		
Salaries and wages	94,928	109,574
Supplies and other expenses	<u>20,031</u>	<u>43,465</u>
	<u>114,959</u>	<u>153,039</u>
SOCIAL SERVICES		
Salaries and wages	5,225	7,067
Supplies and other expenses	<u>-</u>	<u>36</u>
	<u>5,225</u>	<u>7,103</u>

(continued)

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
MEDICAL RECORDS		
Salaries and wages	\$ 324,063	\$ 347,395
Supplies and other expenses	<u>81,811</u>	<u>118,520</u>
	<u>405,874</u>	<u>465,915</u>
DIETARY		
Salaries and wages	176,422	160,705
Supplies and other expenses	<u>82,705</u>	<u>77,899</u>
	<u>259,127</u>	<u>238,604</u>
PLANT OPERATION AND MAINTENANCE		
Salaries and wages	302,139	241,682
Supplies and other expenses	<u>756,602</u>	<u>766,297</u>
	<u>1,058,741</u>	<u>1,007,979</u>
HOUSEKEEPING		
Salaries and wages	179,555	163,829
Supplies and other expenses	<u>23,011</u>	<u>31,280</u>
	<u>202,566</u>	<u>195,109</u>
LAUNDRY		
Salaries and wages	13,322	14,734
Supplies and other expenses	<u>76,217</u>	<u>75,123</u>
	<u>89,539</u>	<u>89,857</u>
ADMINISTRATIVE SERVICES		
Salaries and wages	1,782,103	1,538,219
Supplies and other expenses	<u>1,132,321</u>	<u>1,048,380</u>
	<u>2,914,424</u>	<u>2,586,599</u>
UNASSIGNED EXPENSES		
Depreciation and amortization	1,567,454	1,500,798
Insurance	137,018	133,592
Employee benefits	<u>2,268,396</u>	<u>2,076,462</u>
	<u>3,972,868</u>	<u>3,710,852</u>
TOTAL OPERATING EXPENSES	<u>\$ 21,448,359</u>	<u>\$ 20,213,324</u>

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
PATIENT RECEIVABLES, ALLOWANCE FOR DOUBTFUL ACCOUNTS,
AND COLLECTION STATISTICS
JUNE 30, 2008 AND 2007**

ANALYSIS OF AGING

Days Since Discharge	2008		2007	
	Amount	Percent to Total	Amount	Percent to Total
30 days or less	\$ 2,891,381	43.67%	\$ 2,772,652	46.21%
31 to 60 days	1,511,632	22.83	1,509,645	25.16
61 to 90 days	794,140	11.99	613,688	10.23
91 to 180 days	801,646	12.11	595,517	9.93
181 days and over	<u>622,761</u>	<u>9.40</u>	<u>508,402</u>	<u>8.47</u>
	6,621,560	100.00%	5,999,904	<u>100.00%</u>
Less: Allowance for doubtful accounts	366,334		337,857	
Allowance for contractual adjustments	<u>2,575,000</u>		<u>2,325,000</u>	
Net	<u>\$ 3,680,226</u>		<u>\$ 3,337,047</u>	

**ALLOWANCE FOR DOUBTFUL ACCOUNTS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
BALANCE, BEGINNING OF YEAR	\$ 337,857	\$ 290,000
Add: Provision for bad debts	606,321	551,579
Recoveries of accounts written off	229,182	204,401
Less: Accounts written off	<u>(807,026)</u>	<u>(708,123)</u>
BALANCE, END OF YEAR	<u>\$ 366,334</u>	<u>\$ 337,857</u>

COLLECTION STATISTICS

	2008	2007
Net accounts receivable – patients	\$ 3,680,226	\$ 3,337,047
Number of days charges outstanding (1)	57	55
Uncollectible accounts (2)	\$ 1,011,740	\$ 913,472
Percentage of uncollectible accounts to total charges	3.0%	3.0%

(1) Based on average daily net patient service revenue for April, May, and June.

(2) Includes provision for bad debts, charity care, and collection fees.

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SUPPLIES/PREPAID EXPENSE
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
SUPPLIES		
Pharmacy	\$ 123,479	\$ 119,934
Operating room	113,724	76,104
Storeroom	92,529	86,094
Laboratory	27,291	22,686
Physical therapy	10,474	8,319
Emergency room	7,855	7,280
Dietary	3,644	3,490
Radiology	2,217	7,441
	<u>2,217</u>	<u>7,441</u>
Total	<u>\$ 381,213</u>	<u>\$ 331,348</u>
PREPAID EXPENSE		
Insurance	\$ 69,688	\$ 77,768
Maintenance agreements	84,368	82,363
Pharmacy supplies	<u>-</u>	<u>31,255</u>
Total	<u>\$ 154,056</u>	<u>\$ 191,386</u>

DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
STATISTICAL INFORMATION (UNAUDITED)
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PATIENT DAYS		
Acute	2,297	2,087
Swing-bed	767	809
Newborn	358	356
NUMBER OF BEDS	25	25
PERCENTAGE OF OCCUPANCY (excluding newborn)	34%	32%
DISCHARGES		
Acute	848	660
Swing-bed	133	116
AVERAGE LENGTH OF STAY		
Acute (excluding newborn)	2.71	3.16
Swing-bed	5.77	6.97
MOST RECENT YEAR END ROUTINE SERVICE RATES		
Private	\$ 827	\$ 795
Semi-private	827	795
Nursery	575	575



CPAs & BUSINESS ADVISORS

**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**

The Board of Trustees
Delaware County Memorial Hospital
d/b/a Regional Medical Center
Manchester, Iowa

We have audited the accompanying balance sheets of Delaware County Memorial Hospital, d/b/a Regional Medical Center, as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended and have issued our report thereon dated August 11, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County Memorial Hospital's, d/b/a Regional Medical Center, 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 Delaware County Memorial Hospital's, d/b/a Regional Medical Center, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delaware County Memorial Hospital's, d/b/a Regional Medical Center, 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 Delaware County Memorial Hospital's, d/b/a Regional Medical Center, 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 that a misstatement of Delaware County Memorial Hospital's, d/b/a Regional Medical Center, financial statements that is more than inconsequential will not be prevented or detected by Delaware County Memorial Hospital's, d/b/a Regional Medical Center, internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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 Delaware County Memorial Hospital's, d/b/a Regional Medical Center, 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe that none are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Delaware County Memorial Hospital, d/b/a Regional Medical Center, 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 a certain immaterial instance of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Medical Center. 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.

Delaware County Memorial Hospital's, d/b/a Regional Medical Center, responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the Medical Center's responses, we did not audit the Medical Center's responses and, accordingly, we express no opinion on them.

We also noted a certain additional matter that we reported to management in a separate letter dated August 11, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Delaware County Memorial Hospital, d/b/a Regional Medical Center, and other parties to whom Delaware County Memorial Hospital, d/b/a Regional Medical Center, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delaware County Memorial Hospital, d/b/a Regional Medical Center, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 11, 2008

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties – One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Medical Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Medical Center should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Response – Management agrees with the finding and has reviewed the operating procedures of Delaware County Memorial Hospital, d/b/a Regional Medical Center. Due to the limited number of office employees, management will continue to monitor the Medical Center's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

I-B-08 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Delaware County Memorial Hospital, d/b/a Regional Medical Center, does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

Part I: Findings Related to the Financial Statements: (continued)

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the Medical Center’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-08 Travel Expense – No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.

II-D-08 Business Transactions – The Medical Center had transactions with a business partially owned by a spouse of an employee as follows:

Building project	\$	1,870,000
Payable due to related party as of June 30, 2008	\$	83,707

II-E-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-F-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Medical Center’s investment policy were noted.

II-G-08 Publication of Bills Allowed and Salaries – Chapter 347.13(14) of the Code of Iowa states “There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category...” The Medical Center published a schedule of bills allowed and a schedule of salaries paid as required by the Code of Iowa.



CPAs & BUSINESS ADVISORS

The Board of Trustees
Delaware County Memorial Hospital
d/b/a Regional Medical Center
Manchester, Iowa

We have audited the financial statements of Delaware County Memorial Hospital, d/b/a Regional Medical Center, for the year ended June 30, 2008, and have issued our report thereon dated August 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated June 12, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Delaware County Memorial Hospital, d/b/a Regional Medical Center. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Delaware County Memorial Hospital's, d/b/a Regional Medical Center, compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and discussion with management about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Delaware County Memorial Hospital, d/b/a Regional Medical Center, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Medical Center during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements relate to the collectibility of patient receivables, the amounts either owed to or receivable from third-party payors, and the liability for self-insured employee medical insurance claims incurred but not reported at year-end.

Management's estimate of the collectibility of patient receivables is based on historical trends for uncollectible accounts and contractual adjustments. The estimate of the amounts either owed to or receivable from third-party payors is based on both final and tentatively settled cost reports. The estimate for the claims incurred but not reported at year-end related to the Medical Center's self-insured employee health plan is based on historical trends. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. However, laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes the estimates for all open years are adequate. Any differences between the estimates and the final settlements will be recorded in the period the final settlements are made and will not be treated as prior period adjustments.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

We discussed all adjustments to the financial statements with the Medical Center's staff during the audit. The following adjustments were made during the fiscal year 2008 audit:

Revenues in excess of expenses prior to audit adjustments	\$ 3,098,266
To adjust accounts payable	(16,071)
Other adjustments	<u>248</u>
Revenues in excess of expenses as reported	<u>\$ 3,082,443</u>

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Medical Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Medical Center's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Comment

We have included an additional comment for informational purposes only.

This information is intended solely for the use of the officials, employees, and constituents of Delaware County Memorial Hospital, d/b/a Regional Medical Center, and is not intended to be and should not be used by anyone other than these specified parties.

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to Delaware County Memorial Hospital, d/b/a Regional Medical Center.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 11, 2008

xc: Mr. Lon Butikofer, RN, Ph.D

**DELAWARE COUNTY MEMORIAL HOSPITAL
d/b/a REGIONAL MEDICAL CENTER**

**YEAR ENDED JUNE 30, 2008
OTHER COMMENT**

Revised Guidelines on Good Governance for Tax Exempt Entities

The issue of corporate governance of tax exempt organizations has emerged as a major focal point for the Internal Revenue Service (IRS) and is a key factor addressed in the newly revised Form 990, Return of Organization Exempt from Income Tax effective for 2008. These guidelines can be found in the IRS document "Governance and Related Topics – 501(c)(3) Organizations," at the following link: http://www.irs.gov/pub/irs-tege/governance_practices.pdf. While tax law does not mandate the guidelines, they are a clear indication of the IRS' strong commitment to monitoring governance practices of the tax-exempt community. The IRS has indicated its belief that a well-governed charity is more likely to obey the tax laws, safeguard charitable assets and serve charitable interests than one without some of the recommended guidelines. The IRS document is in line with the redesigned Form 990 governance questions and focuses on six specific topics:

- Mission
- Organizational Documents
- Governing Body
- Governance & Management Policies
- Financial Statements & Form 990 Reporting
- Transparency and Accountability

The IRS intends to monitor the organizations' practices by utilizing primarily yes/no questions and detailed descriptions of policies and procedures on the new Form 990.

Although these guidelines are directed towards 501(c)(3) organizations, all tax-exempt entities should consider the same governance practices. We recommend all tax-exempt organizations review the guidelines in detail, as well as the specific questions in Part VI of the 2008 Form 990 and consider whether current practices should be modified or new practices adopted. By reviewing the Medical Center's governance practices now, the Medical Center will be prepared to respond to the governance-related questions on the 2008 Form 990 and portray a positive image to the IRS and the public.