

FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007



GUTTENBERG MUNICIPAL HOSPITAL

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**GUTTENBERG MUNICIPAL HOSPITAL
BOARD OF TRUSTEES AND HOSPITAL OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Trustees</u>	
Mary Eulberg	Chairperson	December 2011
Penny Hansel	Vice Chairperson	December 2011
James Kuempel	Secretary/Treasurer	December 2009
Jim Whalen	Member	December 2011
Doug Reimer	Member	December 2009
	<u>Hospital Officials</u>	
Kim Gau	Administrator	



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, Iowa

We have audited the accompanying balance sheets of Guttenberg Municipal Hospital 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 Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Guttenberg Municipal Hospital 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.

As indicated in the Hospital's Summary of Significant Accounting Policies in Note 1 to the financial statements, management has elected to report interest expense as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets. *Governmental Auditing Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* does not establish a definition of operating revenues and expenses versus nonoperating revenues and expenses. Rather, governments are required to establish their own policy defining operating revenues and expenses and apply the policy consistently. The common practice for governmental health care entities is to include interest expense in nonoperating revenues and expenses.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, on our consideration of Guttenberg Municipal Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 4 through 6 and the Budgetary Comparison Information on pages 23 and 24 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.

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

Dubuque, Iowa
September 19, 2008

**GUTTENBERG MUNICIPAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

This section of Guttenberg Municipal Hospital'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 Hospital's total assets increased by \$667,371 or 9%. The Hospital acquired additional land valued at \$137,606 and reported construction in progress of \$93,786 as of June 30, 2008.
- The Hospital's current assets exceeded current liabilities by \$3,550,643 at June 30, 2008.
- Cash and cash equivalents increased \$943,500 (48%) from \$1,968,000 to \$2,911,500.
- During the year, the Hospital's total operating revenues increased by 9.1% to \$8.4 million from \$7.7 million a year ago. The primary reason for the increase in operating revenues was due to continued growth in both the inpatient and outpatient settings with continuation of a strong surgery program.
- The Hospital made capital equipment purchases totaling \$185,350. Most of the equipment purchased in fiscal 2008 was for patient care and upgrades to the equipment used in surgery. The one exception being the purchase of new exterior signage.

Overview of the Financial Statements

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

The balance sheets provide information about the nature and amounts of the Hospital's assets and liabilities. The balance sheet at June 30, 2008 reports total assets of \$7,992,498, total liabilities of \$2,312,721, and net assets of \$5,679,777. Net assets have increased 19% from the prior year (\$4,759,617).

The statements of revenues, expenses and changes in net assets provide information on the Hospital's revenues and expenses. These statements show total operating revenues of \$8,447,116 and total operating expenses of \$7,529,507 during fiscal year 2008. The operating income that was generated in 2008 was \$917,609 compared to operating income in 2007 of \$908,546.

**GUTTENBERG MUNICIPAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

One difference between 2007 and 2008 is an increase (21%) in salary and benefits from 2007 to 2008. The increase is reflective of the addition of 10 new employed positions brought on during 2008 in several departments to manage the growth the Hospital has experienced. The addition of staff strategically positions the Hospital for continued growth going forward.

The statement of cash flows provides information about the Hospital's cash from operating, investing and financing activities. As reported in this statement, cash and cash equivalents increased from \$1,968,026 at June 30, 2007 to \$2,911,522 at June 30, 2008, or 48%.

There are notes and schedules attached to the financial statements in the audit report. All of the notes are accepted as documented by our organization. Many of the notes are similar to past years and similar to other organizations our size. The reader is encouraged to examine the notes and schedules for additional information about the financial practices of the Hospital as well as further detail about the revenues and expenses.

Significant Budget Variances:

Significant budget variances exist in Gross Patient Revenue reflecting positive variances in outpatient revenue of \$500,000 and to a lesser extent, inpatient revenue of \$286,000.

The increase in revenue coupled with total operating expense that exceeded budget by only \$200,000 created a positive operating margin (10.8%) that was higher than budget (1.3%).

There is a fine line in definition between Charity and Bad Debt when looking at Hospital accounts receivable write-offs. The Charity and Bad Debt variance should be looked at together as below:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Charity	\$119,887	\$125,698	\$ 5,811
Bad Debt	<u>\$178,363</u>	<u>\$125,698</u>	<u>(\$52,665)</u>
Charity/Bad Debt	<u>\$298,250</u>	<u>\$251,396</u>	<u>(\$46,854)</u>

Similar to industry patterns, Guttenberg Municipal Hospital has experienced increased levels of bad debt and charity care due to higher patient deductibles related to health insurance coverage plans and increased numbers of uninsured patients.

Long Term Debt

At year end, Guttenberg Municipal Hospital had \$1.75 million in long term debt. The debt is in the form of revenue bonds issued in 1998.

**GUTTENBERG MUNICIPAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Summary & Financial Future

The Hospital's financial position remains positive for the second consecutive year. The Hospital staff did an outstanding job managing growth while controlling expense. The strong financial performance positions the organization favorably to proceed with the building expansion and renovation plan.

Requests for Information

Questions regarding the information provided in this report or requests for additional financial information should be addressed to the Office of Administration at the following address:

Guttenberg Municipal Hospital
200 Main St.
P.O. Box 550
Guttenberg, IA 52052

GUTTENBERG MUNICIPAL HOSPITAL
BALANCE SHEETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,911,522	\$ 1,968,026
Receivables		
Patient, net of estimated uncollectibles of \$514,000 in 2008 and \$459,000 in 2007	1,061,220	948,882
Other	30,436	20,633
Supplies	140,504	130,973
Prepaid expense	97,935	107,437
	<u>4,241,617</u>	<u>3,175,951</u>
ASSETS LIMITED AS TO USE OR RESTRICTED - Note 4		
Investments		
By board for capital improvements and debt retirement	546,870	946,255
	<u>2,970,307</u>	<u>2,957,919</u>
LAND, BUILDINGS, AND EQUIPMENT, net - Note 6		
OTHER ASSETS		
Deferred financing costs, net of accumulated amortization of \$48,255 in 2008 and \$40,966 in 2007	6,775	14,064
Gift fund investments - Note 4	145,054	140,133
Member share of 28E organization net assets	81,875	90,845
	<u>233,704</u>	<u>245,042</u>
Total other assets		
	<u>233,704</u>	<u>245,042</u>
Total assets	<u>\$ 7,992,498</u>	<u>\$ 7,325,167</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 8	\$ 128,083	\$ 123,725
Accounts payable		
Trade	70,606	112,454
Estimated third-party payor settlements	47,000	155,885
Accrued expenses		
Salaries and wages	142,377	100,124
Paid time off	257,074	242,519
Property taxes	34,000	71,580
Payroll taxes and other	11,834	13,961
	<u>690,974</u>	<u>820,248</u>
LONG-TERM DEBT, less deferred loss on refunding and current maturities - Note 8	<u>1,621,747</u>	<u>1,745,302</u>
Total liabilities	<u>2,312,721</u>	<u>2,565,550</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,220,477	1,088,892
Restricted		
Expendable for capital acquisitions	870	370
Nonexpendable contribution to Community Foundation	10,000	10,000
Unrestricted	4,448,430	3,660,355
	<u>5,679,777</u>	<u>4,759,617</u>
Total net assets	<u>5,679,777</u>	<u>4,759,617</u>
Total liabilities and net assets	<u>\$ 7,992,498</u>	<u>\$ 7,325,167</u>

GUTTENBERG MUNICIPAL HOSPITAL
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 \$178,363 in 2008 and \$120,248 in 2007) - Notes 2 and 3	\$ 8,031,216	\$ 7,377,811
Other operating revenues	415,900	359,759
TOTAL OPERATING REVENUES	<u>8,447,116</u>	<u>7,737,570</u>
OPERATING EXPENSES		
Salaries and wages	3,061,119	2,510,163
Employee benefits	788,167	658,928
Management fees	225,290	230,175
Supplies and other expenses	2,921,809	2,862,834
Depreciation and amortization	403,983	437,144
Interest expense	73,872	78,709
Insurance	55,267	51,071
TOTAL OPERATING EXPENSES	<u>7,529,507</u>	<u>6,829,024</u>
OPERATING INCOME	<u>917,609</u>	<u>908,546</u>
NONOPERATING REVENUES (EXPENSES)		
Noncapital grants and contributions	8,757	9,439
Investment income	96,796	95,106
Change in member share of 28E organization net assets	(8,971)	(9,000)
Gain (loss) on disposal of equipment	861	(4,016)
NET NONOPERATING REVENUES	<u>97,443</u>	<u>91,529</u>
REVENUES IN EXCESS OF EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	1,015,052	1,000,075
CAPITAL GRANTS AND CONTRIBUTIONS	500	5,580
CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS	<u>(95,392)</u>	<u>19,627</u>
INCREASE IN NET ASSETS	920,160	1,025,282
NET ASSETS BEGINNING OF YEAR	<u>4,759,617</u>	<u>3,734,335</u>
NET ASSETS END OF YEAR	<u>\$ 5,679,777</u>	<u>\$ 4,759,617</u>

See notes to financial statements.

GUTTENBERG MUNICIPAL HOSPITAL
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	\$ 7,809,993	\$ 6,846,930
Other receipts	406,097	370,419
Payments of salaries and wages	(3,006,438)	(2,485,979)
Payments of employee benefits	(788,167)	(658,928)
Payments of supplies and other expenses	<u>(3,281,823)</u>	<u>(3,247,449)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,139,662</u>	<u>824,993</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants and contributions received	<u>8,757</u>	<u>9,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(416,741)	(279,509)
Restricted contributions received	500	5,580
Proceeds from sale of equipment	13,174	152
Payment of interest on debt	(73,872)	(78,709)
Payment of principal on debt	<u>(123,852)</u>	<u>(119,015)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(600,791)</u>	<u>(471,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in gift fund investments	(4,921)	(4,575)
(Increase) decrease in assets limited as to use or restricted	303,993	(210,928)
Investment income received	<u>96,796</u>	<u>95,106</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>395,868</u>	<u>(120,397)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	943,496	242,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,968,026</u>	<u>1,725,492</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,911,522</u>	<u>\$ 1,968,026</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
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	\$ 917,609	\$ 908,546
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	403,983	437,144
Interest expense considered capital and related financing activity	73,872	78,709
Provision for bad debts	178,363	120,248
Changes in assets and liabilities		
Receivables	(300,504)	(385,607)
Supplies	(9,531)	(4,468)
Prepaid expense	9,502	(20,949)
Accounts payable - trade	(41,848)	(81,121)
Estimated third party payor settlements	(108,885)	(254,862)
Accrued expenses	17,101	27,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,139,662</u>	<u>\$ 824,993</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Guttenberg Municipal Hospital (Hospital) is a 25-bed public hospital located in Guttenberg, Iowa. It is organized under Chapter 392 of the Iowa Code and governed by a five member Board of Trustees elected for alternating terms of four years. The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Guttenberg, Iowa, and the surrounding area.

The Hospital's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

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

Basis of Presentation

The balance sheet displays the Hospital'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 Hospital's policy to use restricted resources first.

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.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

The Hospital 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 Hospital 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.

Supplies

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

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 and debt retirement, over which the Board retains control and may, at its discretion, subsequently use for other purposes; and assets set aside under a bond indenture agreement.

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 Hospital 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 Hospital 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	8 – 20 years
Buildings and improvements	5 – 40 years
Equipment	3 – 15 years

Advertising Costs

The Hospital expenses advertising costs as incurred.

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the effective interest method.

Compensated Absences

Hospital employees accumulate a limited amount of earned but unused paid time off hours for subsequent use or for payment upon termination, death, or retirement. The cost of paid time off 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.

Operating Revenues and Expenses

The Hospital'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 Hospital's principal activity. Nonexchange revenues, including 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, including interest expense.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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, 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 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 adjustments to patient service revenue, depending on the timing of the charity determination.

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.

Investment income

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

Investments in Securities

The Hospital's investments in securities are classified and accounted for as securities "available-for-sale." Securities classified as "available-for-sale" are carried in the financial statements at fair value. Realized gains and losses, determined using the specific-identification method, are included in earnings; unrealized holding gains and losses are reported as other changes in net assets.

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.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2 – CHARITY CARE

The Hospital 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 \$119,887 and \$54,024, respectively. The estimated costs of the charges foregone, based upon the Hospital's overall cost to charge ratio calculation, for the years ended June 30, 2008 and 2007, were \$75,828 and \$34,147, respectively.

NOTE 3 – NET PATIENT SERVICE REVENUE

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2006. The Hospital'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 Hospital.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been processed by the Medicaid fiscal intermediary through June 30, 2005.

Other Payors: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital 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 56% and 4%, respectively, of the Hospital's net patient service revenue for the year ended June 30, 2008, and 59% and 4%, respectively, of the Hospital's net patient service revenue for the year ended June 30, 2007.

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

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Total patient service revenue	<u>\$ 11,127,003</u>	<u>\$ 10,181,084</u>
Contractual adjustments		
Medicare	(1,972,172)	(1,868,502)
Medicaid	(100,112)	(165,048)
Other	(781,105)	(563,136)
Administrative adjustments/policy discounts	<u>(64,035)</u>	<u>(86,339)</u>
Total deductions from patient service revenue	<u>(2,917,424)</u>	<u>(2,683,025)</u>
Net patient service revenue	<u>8,209,579</u>	7,498,059
Provision for bad debts	<u>(178,363)</u>	<u>(120,248)</u>
Net patient service revenue (net of provision for bad debts)	<u>\$ 8,031,216</u>	<u>\$ 7,377,811</u>

NOTE 4 – CASH AND DEPOSITS

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

Credit risk: The Hospital's investments are categorized to give an indication of the level of risk assumed by the Hospital at year end. The Hospital's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the Hospital or its agent in the Hospital's name. The Hospital had no investments as defined by Governmental Accounting Standards Board Statement 3 at June 30, 2008 and 2007.

At June 30, 2008 and 2007, the Hospital's carrying amounts of cash and deposits are as follows:

	<u>2008</u>	<u>2007</u>
Savings accounts	\$ 10,656	\$ 179,638
Certificates of deposit	125,047	252,701
Equity securities – common stock	543,867	637,394
Beneficial interest in net assets of Community Foundation	11,147	12,031
Interest receivable	<u>1,207</u>	<u>4,624</u>
	<u>\$ 691,924</u>	<u>\$ 1,086,388</u>

(continued on next page)

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

Cost and fair value of marketable equity securities at June 30, 2008, is as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Available-for-sale Equity securities	\$ 619,633	\$ 19,626	\$ (95,392)	\$ 543,867

There were no net realized gains (losses) on sale of securities available-for-sale.

Interest rate risk. The Hospital's investment policy states that the Hospital's investment portfolio will remain sufficiently liquid to enable the Hospital to meet operating requirements that cash management procedures anticipate. The investment policy also states that for the general savings account, designating funds, and investable funds shall have maturities that do not exceed one year.

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

NOTE 5 – BENEFICIAL INTEREST IN NET ASSETS OF COMMUNITY FOUNDATION

The Hospital is a beneficiary of a Community Foundation maintained by an independent trustee. The assets maintained by the Community Foundation are to be held in perpetuity. The Hospital expects to receive annual distributions of its share of the Community Foundation's income. These distributions are recorded in the financial statements as investment income. The funds which have been invested directly by Guttenberg Municipal Hospital are recognized in the financial statements as a beneficial interest in net assets of the Community Foundation at the fair market value of the Hospital's interest in the Foundation. These funds amount to \$11,147 and \$12,031 at June 30, 2008 and 2007, respectively.

NOTE 6 – 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
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Cost					
Land	\$ 156,564	\$ 137,606	\$ -	\$ 69,438	\$ 363,608
Land improvements	350,355	-	-	(4,118)	346,237
Buildings	4,760,576	-	188,675	(65,320)	4,506,581
Equipment	2,992,968	185,349	185,035	-	2,993,282
Construction in progress	-	93,786	-	-	93,786
	<u>8,260,463</u>	<u>\$ 416,741</u>	<u>\$ 373,710</u>	<u>\$ -</u>	<u>8,303,494</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

	June 30, 2007				June 30, 2008
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Accumulated depreciation					
Land improvements	\$ 256,025	\$ 11,207	\$ 2,781	\$ -	\$ 264,451
Buildings	2,737,329	164,183	185,892	-	2,715,620
Equipment	<u>2,309,190</u>	<u>219,049</u>	<u>175,123</u>	<u>-</u>	<u>2,353,116</u>
	<u>5,302,544</u>	<u>\$ 394,439</u>	<u>\$ 363,796</u>	<u>\$ -</u>	<u>5,333,187</u>
Total land, buildings, and equipment, net	<u>\$ 2,957,919</u>				<u>\$ 2,970,307</u>
	June 30, 2006				June 30, 2007
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Cost					
Land	\$ 156,564	\$ -	\$ -	\$ -	\$ 156,564
Land improvements	350,355	-	-	-	350,355
Buildings	4,713,576	47,000	-	-	4,760,576
Equipment	2,752,056	232,509	15,525	23,928	2,992,968
Construction in progress	<u>23,928</u>	<u>-</u>	<u>-</u>	<u>(23,928)</u>	<u>-</u>
	<u>7,996,479</u>	<u>\$ 279,509</u>	<u>\$ 15,525</u>	<u>\$ -</u>	<u>8,260,463</u>
Accumulated depreciation					
Land improvements	244,041	\$ 11,984	\$ -	\$ -	256,025
Buildings	2,572,255	165,074	-	-	2,737,329
Equipment	<u>2,073,206</u>	<u>251,509</u>	<u>15,525</u>	<u>-</u>	<u>2,309,190</u>
	<u>4,889,502</u>	<u>\$ 428,567</u>	<u>\$ 15,525</u>	<u>\$ -</u>	<u>5,302,544</u>
Total land, buildings, and equipment, net	<u>\$ 3,106,977</u>				<u>\$ 2,957,919</u>

NOTE 7- LEASES

The Hospital leases certain equipment under non-cancellable long-term lease agreements. The leases have been recorded as operating leases. Total equipment rental expense for the operating leases for the years ended June 30, 2008 and 2007, was \$186,762 and 175,876, respectively.

Minimum future lease payments for operating leases are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 187,752
2010	187,752
2011	179,304
2012	11,880
2013	990
Total minimum lease payments	<u>\$ 567,678</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 – LONG-TERM DEBT

A schedule of changes in the Hospital’s long-term debt for 2008 and 2007 follows:

	June 30 2007 <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	June 30 2008 Balance	Amounts Due Within One Year
Revenue bonds payable, variable rate currently 4.07%, due in varying monthly installments currently \$10,615, including interest to April 2019, collateralized by a pledge of the Hospital’s net revenues	\$ 1,194,354	\$ -	\$ 80,120	\$ 1,114,234	\$ 82,959
Revenue bonds payable, variable rate currently 4.02%, due in varying monthly installments currently \$5,862, including interest to October 2019, collateralized by a pledge of the Hospital’s net revenues	<u>682,956</u>	<u>-</u>	<u>43,732</u>	<u>639,224</u>	<u>45,124</u>
	<u>\$ 1,877,310</u>	<u>\$ -</u>	<u>\$ 123,852</u>	1,753,458	<u>\$ 128,083</u>
Less deferred loss on refunding				(3,628)	
Less current maturities				<u>(128,083)</u>	
Long-term debt, less deferred loss on refunding and current maturities				<u>\$ 1,621,747</u>	

Long-term debt maturities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 128,083	\$ 69,641	\$ 197,724
2010	134,304	63,420	197,724
2011	139,856	57,868	197,724
2012	145,637	52,087	197,724
2013	151,657	46,067	197,724
2014-2018	857,666	130,954	988,620
2019-2020	<u>196,255</u>	<u>4,578</u>	<u>200,833</u>
	<u>\$ 1,753,458</u>	<u>\$ 424,615</u>	<u>\$ 2,178,073</u>

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

	June 30 2006 <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	June 30 2007 <u>Balance</u>	Amounts Due Within <u>One Year</u>
Revenue bonds payable, variable rate currently 4.07%, due in varying monthly installments currently \$10,615, including interest to April 2019, collateralized by a pledge of the Hospital's net revenues	\$ 1,271,407	\$ -	\$ 77,053	\$ 1,194,354	\$ 80,118
Revenue bonds payable, variable rate currently 4.02%, due in varying monthly installments currently \$5,862, including interest to October 2019, collateralized by a pledge of the Hospital's net revenues	<u>724,918</u>	<u>-</u>	<u>41,962</u>	<u>682,956</u>	<u>43,607</u>
	<u>\$ 1,996,325</u>	<u>\$ -</u>	<u>\$ 119,015</u>	1,877,310	<u>\$ 123,725</u>
Less deferred loss on refunding				(8,283)	
Less current maturities				<u>(123,725)</u>	
Long-term debt, less deferred loss on refunding and current maturities				<u>\$ 1,745,302</u>	

NOTE 9 – 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 3.90% of their annual covered salary, and the Hospital 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 Hospital 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 Hospital's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$182,664, \$142,250, and \$148,741, respectively, equal to the required contributions for each year.

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 10 – CONTINGENCIES

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

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.

Management believes that the Hospital 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 11 – RISK MANAGEMENT

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

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Hospital 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	36 %	36 %
Medicaid	9	4
Commercial and other insurance	33	39
Other third-party payors and patients	22	21
	<u>100%</u>	<u>100%</u>

(continued on next page)

GUTTENBERG MUNICIPAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 13 – MEMBER SHARE OF 28E ORGANIZATION NET ASSETS

The Hospital entered into a 28E agreement with the City of Guttenberg (City) to form Kids Kampus Community Childcare (Kids Kampus). Kids Kampus was formed to provide a full service child day care center for the benefit of all of the members of the community served by the Hospital and the City. The effective date of the agreement was June 1, 2006. The agreement called for the transfer of the building used by Kids Kampus from the Hospital at a transfer cost of \$1. The Hospital owns the land on which the building resides. In the event Kids Kampus no longer has need of the building for the purpose of providing childcare services, the Hospital maintains the right of first refusal and will regain the building for the same transfer price of \$1.

The Hospital has also agreed to provide Kids Kampus charitable donations not to exceed \$20,000 in 2009.

GUTTENBERG MUNICIPAL HOSPITAL
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 revenues/ receipts	\$ 8,458,638	\$ (218,713)	\$ 8,239,925	\$ 7,818,000	\$ 421,925
Expenses/disbursements	<u>7,538,478</u>	<u>152,415</u>	<u>7,690,893</u>	<u>7,818,000</u>	<u>127,107</u>
Net	920,160	(371,128)	549,032	-	<u>\$ 549,032</u>
Balance beginning of year	<u>4,759,617</u>	<u>(1,705,203)</u>	<u>3,054,414</u>	<u>3,320,686</u>	
Balance end of year	<u>\$ 5,679,777</u>	<u>\$ (2,076,331)</u>	<u>\$ 3,603,446</u>	<u>\$ 3,320,686</u>	

GUTTENBERG MUNICIPAL HOSPITAL
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 Hospital 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 Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 392 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate city officials. 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 Hospital's expenditures did not exceed the amount budgeted.



CPAs & BUSINESS ADVISORS

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

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, 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 34 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.

Eide Bailly LLP

Dubuque, Iowa
September 19, 2008

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**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
PATIENT SERVICE REVENUE		
Adults and pediatrics	\$ 1,395,836	\$ 1,212,919
Nursery	30,185	28,626
Swing-bed	234,240	257,640
Operating and recovery rooms	1,186,586	1,075,927
Delivery and labor rooms	53,011	44,182
Central services and supply	502,746	410,436
Emergency services	356,441	282,827
Ambulance services	166,629	191,528
Laboratory	1,994,910	1,868,098
Electrocardiology	254,667	264,909
Radiology	1,830,566	1,738,047
Pharmacy	957,948	868,490
Anesthesiology	705,804	625,550
Respiratory therapy	152,597	154,236
Physical therapy	347,733	421,695
Occupational and speech therapy	74,508	84,970
Cardiac rehab	48,780	63,778
Anticoagulation services	64,576	47,802
Surgery clinic	870,603	572,600
Nutritional services	1,644	2,346
Diabetes management	16,880	18,502
	<u>11,246,890</u>	<u>10,235,108</u>
Charity care	<u>(119,887)</u>	<u>(54,024)</u>
	<u>\$ 11,127,003</u>	<u>\$ 10,181,084</u>
Total patient service revenue*		
	<u>\$ 11,127,003</u>	<u>\$ 10,181,084</u>
*TOTAL PATIENT SERVICE REVENUE - RECLASSIFIED		
Inpatient revenue	\$ 3,896,276	\$ 3,539,461
Outpatient revenue	7,350,614	6,695,647
Charity care	<u>(119,887)</u>	<u>(54,024)</u>
	<u>11,127,003</u>	<u>10,181,084</u>
DEDUCTIONS FROM PATIENT SERVICE REVENUE		
Contractual adjustments		
Medicare	(1,972,172)	(1,868,502)
Medicaid	(100,112)	(165,048)
Other	(781,105)	(563,136)
Administrative adjustments/policy discounts	<u>(64,035)</u>	<u>(86,339)</u>
	<u>(2,917,424)</u>	<u>(2,683,025)</u>
NET PATIENT SERVICE REVENUE		
	<u>8,209,579</u>	<u>7,498,059</u>
PROVISION FOR BAD DEBTS	<u>(178,363)</u>	<u>(120,248)</u>
NET PATIENT SERVICE REVENUE (NET OF PROVISION FOR BAD DEBTS)		
	<u>\$ 8,031,216</u>	<u>\$ 7,377,811</u>

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OTHER OPERATING REVENUES		
Office rent	\$ 94,207	\$ 93,386
Therapy services	85,733	80,239
Contracted services	54,681	14,904
Lab reference services	52,476	49,340
Grants	40,575	21,404
Cafeteria	30,059	29,167
Fitness center memberships	20,354	20,075
Business health	7,788	7,300
Drugs and supplies sold to non-patients	2,297	4,484
Housekeeping services	2,127	2,597
Dietary services	1,536	3,344
Medical records fees	1,058	20,027
Health education reimbursement and fees	199	338
Other	<u>22,810</u>	<u>13,154</u>
 TOTAL OTHER OPERATING REVENUES	 <u>\$ 415,900</u>	 <u>\$ 359,759</u>

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
NURSING ADMINISTRATION		
Salaries and wages	\$ 780,638	\$ 734,465
Supplies and other expenses	88,516	71,571
	<u>869,154</u>	<u>806,036</u>
NURSERY		
Salaries and wages	8,747	8,773
Supplies and other expenses	580	1,391
	<u>9,327</u>	<u>10,164</u>
OPERATING AND RECOVERY ROOMS		
Salaries and wages	115,620	82,534
Supplies and other expenses	102,723	98,532
	<u>218,343</u>	<u>181,066</u>
DELIVERY AND LABOR ROOMS		
Salaries and wages	11,772	9,497
Supplies and other expenses	3,621	2,274
	<u>15,393</u>	<u>11,771</u>
CENTRAL SERVICES AND SUPPLY		
Salaries and wages	41,328	29,206
Supplies and other expenses	123,102	101,735
	<u>164,430</u>	<u>130,941</u>
EMERGENCY SERVICES		
Salaries and wages	73,099	43,068
Supplies and other expenses	189,062	148,823
	<u>262,161</u>	<u>191,891</u>
AMBULANCE SERVICES		
Salaries and wages	60,127	50,661
Supplies and other expenses	20,685	18,689
	<u>80,812</u>	<u>69,350</u>
LABORATORY		
Salaries and wages	300,137	284,572
Supplies and other expenses	355,419	341,180
	<u>655,556</u>	<u>625,752</u>
ELECTROCARDIOLOGY		
Salaries and wages	9,393	8,184
Supplies and other expenses	8,805	1,185
	<u>18,198</u>	<u>9,369</u>
RADIOLOGY		
Salaries and wages	235,677	207,220
Supplies and other expenses	367,027	296,596
	<u>602,704</u>	<u>503,816</u>

(continued)

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PHARMACY		
Salaries and wages	\$ 19,352	\$ 10,564
Supplies and other expenses	<u>370,494</u>	<u>327,133</u>
	<u>389,846</u>	<u>337,697</u>
ANESTHESIOLOGY		
Salaries and wages	141,544	-
Supplies and other expenses	<u>124,741</u>	<u>289,227</u>
	<u>266,285</u>	<u>289,227</u>
RESPIRATORY THERAPY		
Salaries and wages	24,977	26,399
Supplies and other expenses	<u>7,246</u>	<u>4,788</u>
	<u>32,223</u>	<u>31,187</u>
PHYSICAL THERAPY		
Salaries and wages	193,539	150,293
Supplies and other expenses	<u>35,363</u>	<u>93,293</u>
	<u>228,902</u>	<u>243,586</u>
FITNESS CENTER		
Supplies and other expenses	<u>1,456</u>	<u>2,299</u>
BUSINESS HEALTH		
Salaries and wages	6,153	8,525
Supplies and other expenses	<u>3,140</u>	<u>3,604</u>
	<u>9,293</u>	<u>12,129</u>
FAMILY RESOURCES		
Salaries and wages	13,703	13,918
Supplies and other expenses	<u>7,773</u>	<u>2,115</u>
	<u>21,476</u>	<u>16,033</u>
CARDIAC REHAB		
Salaries and wages	8,636	11,955
Supplies and other expenses	<u>4,640</u>	<u>1,432</u>
	<u>13,276</u>	<u>13,387</u>
SURGERY CLINIC		
Salaries and wages	66,342	66,409
Supplies and other expenses	<u>353,287</u>	<u>249,423</u>
	<u>419,629</u>	<u>315,832</u>
MEDICAL RECORDS		
Salaries and wages	117,851	126,373
Supplies and other expenses	<u>38,024</u>	<u>36,642</u>
	<u>155,875</u>	<u>163,015</u>

(continued)

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
DIETARY		
Salaries and wages	\$ 102,225	\$ 84,921
Supplies and other expenses	<u>65,849</u>	<u>73,073</u>
	<u>168,074</u>	<u>157,994</u>
PLANT OPERATION AND MAINTENANCE		
Salaries and wages	52,703	46,518
Supplies and other expenses	<u>215,855</u>	<u>206,153</u>
	<u>268,558</u>	<u>252,671</u>
HOUSEKEEPING		
Salaries and wages	43,919	46,895
Supplies and other expenses	<u>13,045</u>	<u>10,367</u>
	<u>56,964</u>	<u>57,262</u>
LAUNDRY AND LINEN		
Salaries and wages	17,584	15,093
Supplies and other expenses	<u>5,220</u>	<u>4,641</u>
	<u>22,804</u>	<u>19,734</u>
COMMUNICATIONS		
Salaries and wages	5,597	1,586
Supplies and other expenses	<u>127,007</u>	<u>140,206</u>
	<u>132,604</u>	<u>141,792</u>
FISCAL SERVICES		
Salaries and wages	212,424	194,530
Supplies and other expenses	<u>63,470</u>	<u>79,676</u>
	<u>275,894</u>	<u>274,206</u>
ADMINISTRATION		
Salaries and wages	369,036	221,756
Management fees	225,290	230,175
Supplies and other expenses	<u>177,012</u>	<u>163,420</u>
	<u>771,338</u>	<u>615,351</u>
PURCHASING		
Salaries and wages	23,336	20,393
Supplies and other expenses	<u>2,500</u>	<u>2,016</u>
	<u>25,836</u>	<u>22,409</u>
SPECIALTY CLINIC		
Salaries and wages	5,660	5,855
Supplies and other expenses	<u>866</u>	<u>3,301</u>
	<u>6,526</u>	<u>9,156</u>
MEDICAL OFFICE BUILDING		
Supplies and other expenses	<u>34,140</u>	<u>75,212</u>

(continued)

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
DIABETES MANAGEMENT		
Supplies and other expenses	<u>\$ 11,141</u>	<u>\$ 12,837</u>
UNASSIGNED EXPENSES		
Employee benefits	788,167	658,928
Depreciation and amortization	403,983	437,144
Insurance	55,267	51,071
Interest	73,872	78,709
	<u>1,321,289</u>	<u>1,225,852</u>
TOTAL OPERATING EXPENSES	<u>\$ 7,529,507</u>	<u>\$ 6,829,024</u>

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF PATIENT RECEIVABLES, ALLOWANCE FOR DOUBTFUL ACCOUNTS,
AND COLLECTION STATISTICS
JUNE 30, 2008 AND 2007

ANALYSIS OF AGING

<u>Days Since Discharge</u>	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0-30	\$ 819,744	52%	\$ 831,267	59%
31-60	228,704	15	203,729	14
61-90	131,584	8	129,543	9
91-180	192,967	12	102,065	7
181 and over	201,984	13	141,080	11
	<u>1,574,983</u>	<u>100%</u>	1,407,684	<u>100%</u>
Less: Allowance for doubtful accounts	(250,349)		(191,038)	
Allowance for contractual adjustments	<u>(263,414)</u>		<u>(267,764)</u>	
Net	<u>\$ 1,061,220</u>		<u>\$ 948,882</u>	

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

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 191,038	\$ 139,338
Add: Provision for bad debts	178,363	120,248
Recoveries of accounts written off	17,612	17,418
Less: Accounts written off	<u>(136,664)</u>	<u>(85,966)</u>
Balance, end of year	<u>\$ 250,349</u>	<u>\$ 191,038</u>

COLLECTION STATISTICS

Net accounts receivable – patients	\$ 1,061,220	\$ 948,882
Number of days charges outstanding (1)	52	43
Uncollectible accounts (2)	\$ 303,914	\$ 180,162
Percentage of uncollectible accounts to total charges	3%	2%

- (1) Based on average daily net patient service revenue for April, May, and June.
(2) Includes provision for bad debts, charity care, and collection expense.

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF SUPPLIES/PREPAID EXPENSE
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
SUPPLIES		
Pharmacy	\$ 55,633	\$ 66,045
Storerooms	81,235	59,835
Dietary	<u>3,636</u>	<u>5,093</u>
	<u>\$ 140,504</u>	<u>\$ 130,973</u>
 PREPAID EXPENSE		
Insurance	\$ 31,035	\$ 30,368
Other	<u>66,900</u>	<u>77,069</u>
	<u>\$ 97,935</u>	<u>\$ 107,437</u>

GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PATIENT DAYS		
Acute		
Adults and pediatrics	1,738	1535
Newborn	58	58
Swing-bed	601	686
NUMBER OF BEDS	25	25
PERCENT OF OCCUPANCY (excluding newborn)	26%	24%
DISCHARGES		
Acute	523	505
Swing-bed	88	99
AVERAGE LENGTH OF STAY		
Acute (excluding newborn)	3.32	3.04
Swing-bed	6.83	6.93
MOST RECENT YEAR END ROUTINE SERVICE RATES		
Acute		
Private rooms	\$ 747.00	\$ 725.00
2-bed rooms	628.00	610.00
Nursery	481.00	467.00
Skilled care	460.00	447.00



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
Guttenberg Municipal Hospital
Guttenberg, Iowa

We have audited the accompanying balance sheets of Guttenberg Municipal Hospital 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 September 19, 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 Guttenberg Municipal Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guttenberg Municipal Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guttenberg Municipal 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 Guttenberg Municipal 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 that a misstatement of Guttenberg Municipal Hospital's financial statements that is more than inconsequential will not be prevented or detected by Guttenberg Municipal Hospital's 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 Guttenberg Municipal 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Guttenberg Municipal Hospital 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*.

Comments involving statutory and other legal matters about the Hospital'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 Hospital and are reported in Part II of the accompanying Schedule of Findings and Responses. 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.

Guttenberg Municipal Hospital's 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 Hospital's responses, we did not audit the Hospital's responses, and accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management in a separate letter dated September 19, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Guttenberg Municipal Hospital and other parties to whom Guttenberg Municipal Hospital 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 Guttenberg Municipal Hospital 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
September 19, 2008

**GUTTENBERG MUNICIPAL HOSPITAL
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 Hospital 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 Hospital 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 Guttenberg Municipal Hospital. Due to the limited number of office employees, management will continue to monitor the Hospital'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 Annual 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). Guttenberg Municipal Hospital 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.

**GUTTENBERG MUNICIPAL HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

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

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.

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 Hospital'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 Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.
- II-D-08 Business Transactions – We noted no material business transactions between the Hospital and Hospital officials and/or employees.
- 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-07 Deposits and Investments – 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 were noted.



CPAs & BUSINESS ADVISORS

The Board of Trustees
Guttenberg Municipal Hospital
Guttenberg, Iowa

We have audited the financial statements of Guttenberg Municipal Hospital for the years ended June 30, 2008 and 2007, and have issued our report thereon dated September 19, 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 3, 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 Guttenberg Municipal Hospital. 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 Guttenberg Municipal Hospital's 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 Guttenberg Municipal Hospital 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 Hospital 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 and the amounts either owed to or receivable from third-party payors.

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. 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 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 Hospital's staff during the audit. The following adjustments were made during the fiscal year 2008 audit:

Increase in net assets prior to audit adjustments	\$	777,107
To adjust estimated third-party payor settlements		199,886
To record change in unrealized gains and losses on investments		(95,392)
To adjust accrued property taxes		37,959
Other adjustments		<u>600</u>
Increase in net assets as reported	\$	<u>920,160</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 September 19, 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 Hospital'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 Hospital'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 Comments

We have included an additional comment regarding the Hospital's operations as well as a comment for informational purposes only. These comments are not a result of an in-depth study of any specific areas but are based on observations made during the course of our audit.

This information is intended solely for the use of the officials, employees, and constituents of Guttenberg Municipal Hospital 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 Guttenberg Municipal Hospital.

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

Dubuque, Iowa
September 19, 2008

xc: Ms. Kim Gau, CEO

GUTTENBERG MUNICIPAL HOSPITAL
YEAR ENDED JUNE 30, 2008
OTHER COMMENTS

Oversight over Corporate Credit Card

It is our understanding that there are employees whom utilize a corporate credit card to conduct Hospital business. In addition, we understand that administrative personnel, who have both access to and authority to use the credit card, are responsible for gathering and reconciling all supporting documentation when statements are received. To strengthen controls over credit card transactions, we recommend that all employees review their own charges and initial and date their approval. The business purpose of all transactions should be noted along with supporting documentation. Furthermore, all employee credit card charges and supporting documentation should be reviewed and signed by a senior management individual, such as the administrator. These reviews should be documented before the accounts payable clerk pays the credit card statement.

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 Hospital's governance practices now, the Hospital will be prepared to respond to the governance-related questions on the 2008 Form 990, if applicable, and portray a positive image to the IRS and the public.