CASS COUNTY MEMORIAL HOSPITAL

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

YEARS ENDED JUNE 30, 2009 AND 2008

CASS COUNTY MEMORIAL HOSPITAL

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CASS COUNTY MEMORIAL HOSPITAL
Officials
June 30, 2009

Board of Trustees:	Address	Term Expires
Steve Sisler, Chairman	Anita, Iowa	2012
Phyllis Stakey, Vice-Chairman	Massena, Iowa	2010
Leanne Pellett, Secretary and Treasurer	Atlantic, Iowa	2014
John Molgaard	Atlantic, Iowa	2010
Lois Casey	Atlantic, Iowa	2012
Dawn Ridlen	Griswold, Iowa	2014
Charles Griffin (Resigned March, 2009)	Atlantic, Iowa	2014
Ned Brown (Appointed March, 2009)	Atlantic, Iowa	2014

Administrator/CEO:	
Patricia A. Markham	Atlantic, Iowa

Assistant Administrator/CFO:	
Stephen Lewis	Atlantic, Iowa

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

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cass County Memorial Hospital
Atlantic, Iowa

We have audited the accompanying balance sheets of Cass County Memorial Hospital as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As explained in Note A, the operations of two component units are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such entities be discreetly presented with these financial statements.

In our opinion, except for the effects of the exclusion of the component units required to be included, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Cass County Memorial Hospital as of June 30, 2009 and 2008, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2009 on our consideration of Cass County Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees
Cass County Memorial Hospital

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4d and 24 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed qualified opinions on those financial statements. The accompanying information (shown on pages 25 through 41) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Atlantic, Iowa
October 1, 2009

CCMH
PATRICIA MARKHAM
Administrator

Cass County Memorial Hospital

1501 East 10th Street Atlantic, Iowa 50022 712-243-3250

CASS COUNTY MEMORIAL HOSPITAL
Atlantic, Iowa
Management's Discussion and Analysis

Management's discussion and analysis of the Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2009, 2008, and 2007. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

The major difference in financial activity from FY 2009 and FY 2008 is that the Hospital was a Provider Based Rural Health Clinic for a full year in FY 2009 compared to 9 months in FY 2008. Rural Health Clinics receive "cost based" reimbursement from Medicare and Medicaid.

USING THIS ANNUAL REPORT

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

Statistical Analysis gives us an indication of Hospital utilization in certain areas. As with most rural hospitals, Cass County Memorial Hospital has seen a shift from "Inpatient utilization" to "Outpatient utilization." Thus, more procedures are done on an outpatient basis due to improved technology.

The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets help us understand if the Hospital as a whole is better or worse off as a result of this year's activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Both statements report the Hospital's net assets and changes in them. The change in net assets is a measure of the Hospital's "financial health," but you will need to consider other "nonfinancial" factors such as changes in the Hospital's patient base, measures in the quality of service, and local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities.

STATISTICAL ANALYSIS

The Hospital experienced decreased utilization in Acute Care (14%) and increased utilization in Skilled Care (5%), Psychiatric Services (6%), and Nursery (1%), Outpatient Occasions of Service (4%) and Rural Health Clinic Visits (due to having this service for twelve months compared to nine months the previous fiscal year, 35%) compared to FY 2008 and summarized in Table 1.

Table 1: Statistics

	2009	2008	2007
Acute Care:			
Discharges	1,015	1,058	944
Patient Days	2,716	3,168	3,061
Skilled Care:			
Discharges	352	346	286
Patient Days	2,318	2,208	2,065
Psychiatric Unit:			
Discharges	214	227	207
Patient Days	1,187	1,118	1,014
Nursery:			
Patient Days	329	325	291
Outpatient Occasions of Service	63,797	61,527	55,640
Rural Health Clinic Visits	43,584	32,354	0

BALANCE SHEET

Net assets increased 6% from $21,040,676 to $22,312,989. Total Current Assets increased 3% with Cash increasing 96%. Net Patient Receivables decreased 27%. Cash position improved due to better reimbursement from the Medicare and Medicaid programs for the Rural Health Clinic and a decrease in our accounts receivable. Current Liabilities increased 10% due to an increase in accrued employee compensation and payroll taxes withheld and accrued. The long-term portion of Capital Lease Obligations decreased 41% with no new capital lease obligations. The long-term portion of Bonds Payable decreased 71%.

Table 2: Assets, Liabilities, Net Assets

	2009	2008	2007
Assets:			
Current assets	$ 13,468,138	$ 13,040,867	$ 10,216,164
Capital assets, net	9,189,413	9,876,362	10,573,153
Other noncurrent assets	6,229,773	4,678,576	7,001,881
Total assets	$ 28,887,324	$ 27,595,805	$ 27,791,198
Liabilities:			
Long-term debt outstanding	$ 433,797	$ 970,528	$ 1,481,850
Other current and noncurrent liabilities	6,140,538	5,584,601	4,502,154
Total liabilities	$ 6,574,335	$ 6,555,129	$ 5,984,004
Net Assets:			
Invested in capital assets, net of related debt	$ 8,168,243	$ 8,335,563	$ 8,528,206
Restricted	508,865	493,249	472,351
Unrestricted	13,635,881	12,211,864	12,806,637
Total net assets	$ 22,312,989	$ 21,040,676	$ 21,807,194

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS

Patient Service Revenue increased 8% from last fiscal year. The increase was due to the addition of the Rural Health Clinic for a full year compared to nine months a year ago, increased volume and charge increases.

Contractual adjustments to Patient Service Revenue increased by 7% due to increased adjustments for bad debt (30%) and uncompensated care (39%).

Expenses increased 10%. Most of the increase came from salaries and employee benefits due to having the Rural Health Clinic a full year. Salaries increased 10% and employee benefits increased 19% due to an increase in IPERS, Worker's Compensation Insurance, and more employees taking advantage of the 457 retirement plan which the hospital offers a matching contribution. Professional fees increased 21% due to contracting Physicians for the Rural Health Clinic. Supplies and other expense increased only 3%.

The Hospital had a net operating loss of $874,481 compared to a net operating loss of $162,007 in FY 2008. This is consistent with the Hospital's operating history. In 1966, when operations began as a county hospital, it was agreed that a portion of its cost would be subsidized by property tax revenues, making the facility more affordable for the county's lower income residents. The increase in the operating loss is directly proportional to the increase in utilization from Medicare and Medicaid patients. Nonoperating revenue (which includes County tax support) increased by 10%. The excess of revenue over expense decreased from a positive $1,801,469 to $1,272,313.

Table 3: Revenues, Expenses & Changes in Net Assets

	2009	2008	2007
Operating Revenues:			
Patient service revenue	$ 47,439,249	$ 44,042,242	$ 36,357,236
Adjustments to patient service revenue	(17,502,545)	(16,348,067)	(13,045,084)
Net patient service revenue	29,936,704	27,694,175	23,312,152
Other operating revenue	887,481	970,419	429,657
Total operating revenues	30,824,185	28,664,594	23,741,809
Operating Expenses:			
Salaries	15,299,695	13,932,673	11,266,503
Employee benefits	4,125,831	3,464,769	3,021,873
Professional fees	3,146,052	2,608,552	1,488,444
Supplies and other expense	7,668,496	7,423,964	6,951,148
Depreciation	1,458,592	1,396,643	1,347,299
Total operating expenses	31,698,666	28,826,601	24,075,267
Operating loss	(874,481)	(162,007)	(333,458)
Nonoperating Revenue and Expense:			
Property taxes	1,697,529	1,696,144	1,563,691
Other Nonoperating revenue and expense	449,265	267,332	198,522
Total Nonoperating revenue and expense	2,146,794	1,963,476	1,762,213
Excess of Revenues Over Expenses	1,272,313	1,801,469	1,428,755
Net Assets Beginning of Year	21,040,676	21,807,194	20,378,439
Change in Net Assets Resulting from Merging of Physician Clinics	--	(2,567,987)	--
Net Assets End of Year	$ 22,312,989	$ 21,040,676	$ 21,807,194

STATEMENT OF CASH FLOWS

Changes in the Hospital's cash flows are consistent with changes in operating losses and non operating revenues and expenses, discussed earlier. The Hospital incurred a loss from operations of $874,481. Cash in current assets on the balance sheet increased from $1,693,315 to $3,322,317 due to better Medicare and Medicaid reimbursement and a decrease in accounts receivable. The Hospital had a positive cash flow from operations of $2,588,329, compared to positive operating cash flow of $413,991 in FY 2008.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2009 was prepared on a modified accrual basis. There were no amendments made to the budget.

Patient Service Revenue was 6% above budget. Deductions from revenue were 11% above budget. Other Operating Revenue was 29% below budget, which made Total Operating Revenue 1% below budget. Total Operating expense was 1% below budget and Income from Operations was 2% above budget. The excess of revenue over expense was 6% under budget.

CAPITAL ASSETS

At the end of FY 2009, the Hospital had $9,189,413 invested in capital assets, net of accumulation depreciation. In FY 2009 the Hospital purchased new equipment costing $829,952. New equipment purchased in FY 2008 was $722,030.

DEBT

The Hospital has three capital leases for the purchase of equipment (CT Scan, Ultrasound, & Omnicell). These leases carry interest rates of 1.45% to 8.78% and mature from May 2011 to October 2012.

In January of 2006 the Hospital issued $1,605,000 of Series 2006 Hospital Refunding Revenue Note with an effective interest rate of 4.53% to refund outstanding Series 1995 Hospital Revenue Bonds with varying interest rates ranging from 5.3% to 7.0%.

Total Long Term Debt and Capital Leases at the end of FY 2009 totaled $1,012,298.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact administration at Cass County Memorial Hospital, Atlantic, Iowa 50022.

CASS COUNTY MEMORIAL HOSPITAL
Balance Sheets
June 30,

ASSETS

	2009	2008
Current Assets:		
Cash	$ 3,322,317	$ 1,693,315
Patient receivables, less allowances for doubtful accounts and contractual adjustments ($2,542,416 in 2009, $2,828,416 in 2008)	5,419,949	7,412,879
Other receivables	839,699	657,036
Inventory	682,971	702,678
Prepaid expense	554,369	366,436
Succeeding year property tax receivable	2,086,000	1,593,000
Internally designated assets	562,833	615,523
Total current assets	13,468,138	13,040,867
Designated and Restricted Assets:		
Internally designated assets	5,228,332	3,876,314
Restricted assets	508,865	493,249
	5,737,197	4,369,563
Less amounts required to meet current liabilities	562,833	615,523
	5,174,364	3,754,040
Capital Assets:		
Depreciable capital assets, net	8,482,696	9,312,676
Non-depreciable capital assets	706,717	563,686
	9,189,413	9,876,362
Investment in Cass County Medical Clinics, Inc.	435,478	305,841
Other Noncurrent Assets	619,931	618,695
Total assets	$ 28,887,324	$ 27,595,805

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2009	2008
Current Liabilities:		
Current maturities of long-term debt	$ 553,961	$ 528,502
Accounts payable	717,953	742,663
Accrued employee compensation	1,684,752	1,517,896
Payroll taxes withheld and accrued	362,677	280,895
Accrued interest payable	2,195	3,645
Other current liabilities	150,000	150,000
Estimated third-party payor settlements	583,000	768,000
Deferred revenue for succeeding year property tax receivable	2,086,000	1,593,000
Total current liabilities	6,140,538	5,584,601
Long-Term Debt:		
Capital lease obligations, less current maturities	298,497	509,362
Bonds payable, less unamortized debt issue costs and current maturities	135,300	461,166
Total long-term debt	433,797	970,528
Total liabilities	6,574,335	6,555,129
Net Assets:		
Invested in capital assets, net of related debt	8,168,243	8,335,563
Restricted - expendable	508,865	493,249
Unrestricted	13,635,881	12,211,864
	22,312,989	21,040,676
Total liabilities and net assets	$ 28,887,324	$ 27,595,805

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

	2009	2008
Revenues:		
Net patient service revenue	$ 29,936,704	$ 27,694,175
Other revenue	887,481	970,419
Total revenue	30,824,185	28,664,594
Expenses:		
Nursing service	6,188,107	5,964,006
Other professional service	14,420,878	12,521,219
General service	2,392,679	2,274,712
Fiscal and administrative service	7,238,410	6,670,021
Provision for depreciation	1,458,592	1,396,643
Total expenses	31,698,666	28,826,601
Operating Loss	(874,481)	(162,007)
Non-Operating Revenues (Expenses):		
County taxes	1,697,529	1,696,144
Home health care county revenue	90,000	85,000
Investment income	223,322	261,232
Noncapital contributions	1,645	3,347
Medical office building rent, net	67,038	(18,575)
Southwest Iowa Mental Health Center services, net	265,215	122,566
Retail pharmacy loss, net	(180,239)	(138,013)
Other rental income (loss), net	2,625	(5,980)
Interest expense	(85,027)	(109,424)
Non-operating revenue, net	2,082,108	1,896,297
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,207,627	1,734,290
Capital Grants and Contributions	64,686	67,179
Excess of Revenues Over Expenses and Increase in Net Assets	1,272,313	1,801,469
Net Assets Beginning of Year	21,040,676	21,807,194
Change in Net Assets Resulting from Merging of Physician Clinics (Note M)	--	(2,567,987)
Net Assets End of Year	$ 22,312,989	$ 21,040,676

The accompanying notes are an integral part of these statements.

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

	2009	2008
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 31,836,213	$ 27,087,809
Cash paid to suppliers	(14,985,350)	(13,689,037)
Cash paid to employees	(15,132,839)	(13,924,609)
Other revenue	870,305	939,828
Net cash provided by operating activities	2,588,329	413,991
Cash flows from noncapital financing activities:		
County tax revenue	1,787,529	1,781,144
Noncapital contributions	1,645	3,347
Net cash provided by noncapital financing activities	1,789,174	1,784,491
Cash flows from capital and related financing activities:		
Capital expenditures	(530,230)	(376,474)
Computer system expenditures	(305,119)	(354,905)
Capital grants and contributions	64,686	67,179
Proceeds from disposal of assets	--	4,000
Principal paid on long-term debt	(528,501)	(504,148)
Interest paid	(69,248)	(93,600)
Net cash used in capital and related financing activities	(1,368,412)	(1,257,948)
Cash flows from investing activities:		
Investment income	273,796	332,359
Investment in Cass County Medical Clinics, Inc.	(129,637)	(253,895)
Increase in designated and restricted assets	(97,260)	(283,887)
Rental income, net	93,526	93,764
Southwest Iowa Mental Health Center services, net	(9,027)	(24,597)
Retail pharmacy loss, net	(180,239)	(138,013)
Change in other noncurrent assets	(27,576)	(139,922)
Net cash used in investing activities	(76,417)	(414,191)
Net increase in cash and cash equivalents	2,932,674	526,343
Cash and cash equivalents at beginning of year	2,256,054	1,729,711
Cash and cash equivalents at end of year	$ 5,188,728	$ 2,256,054

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	2009	2008
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	$ 3,322,317	$ 1,693,315
Cash and cash equivalents in designated and restricted assets	1,866,411	562,739
	$ 5,188,728	$ 2,256,054
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$(874,481)	$(162,007)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	1,458,592	1,396,643
Amortization	26,340	7,755
Component of operating revenue reclassified for purposes of reporting cash flows		
Interest income on operating funds	(17,176)	(30,591)
Change in assets and liabilities		
Accounts receivable	2,084,509	(1,639,366)
Inventory	19,707	(85,233)
Prepaid expense	(187,933)	(22,910)
Accounts payable, trade	15,133	8,962
Accrued employee compensation	166,856	382,806
Payroll taxes withheld and accrued	81,782	2,684
Estimated third-party payor settlements	(185,000)	1,033,000
Other current liabilities	--	20,000
Beginning RHC net liabilities	--	(497,752)
Total adjustments	3,462,810	575,998
Net cash provided by operating activities	$ 2,588,329	$ 413,991

Non-Cash Transactions:

The Hospital also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by operating activities:

	2009	2008
Book value of CCMC equipment transferred	$ --	$ 63,051

The accompanying notes are an integral part of these statements.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The organization is a county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has two component units. Cass County Medical Clinics, Inc. (CCMC) is a component unit because three out of five board members are also board members of the Hospital, and the Cass County Memorial Hospital Foundation is a component unit because the Hospital is the sole beneficiary of the Foundation. The Hospital has elected to exclude the financial information of its component units from these financial statements which, when discreetly presented, would not affect the Hospital's Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, or Statement of Cash Flows.

Effective October 1, 2007 the physician clinics of CCMC became designated as Rural Health Clinics. As Rural Health Clinics, the physician clinics assets and liabilities of CCMC were combined with the Hospital's assets and liabilities, and the related receivable and payable were offset. The physician clinic operations became a department of the Hospital (See Note M).

2. Enterprise Fund Accounting

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

3. Use of Estimates

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

4. Cash and Cash Equivalents

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

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

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market, except for general stores inventory which is valued at average cost.

6. Investments

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

7. Capital Assets

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

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either 2009 or 2008.

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off consists of holiday, vacation and sick time and accumulates to a maximum of 552 hours for full-time employees and 276 for part-time employees. Any excess over the maximum hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

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

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

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

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

13. Grants and Contributions

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

14. Endowments

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

15. Restricted Resources

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

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

16. Net Assets

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

17. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

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

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2007. The Medicaid cost reports have been audited through October 31, 2005. However, finalized cost reports are subject to re-opening by the intermediaries within three years of the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

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

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	2009	2008
Long-term debt	$ 508,865	$ 493,249

The Hospital has no restricted nonexpendable net assets or endowments at June 30, 2009 or 2008.

NOTE D - DESIGNATED NET ASSETS

Of the $13,635,881 ($12,211,864 as of June 30, 2008) of unrestricted net assets as of June 30, 2009, $5,228,332 ($3,876,314 for 2008) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule.

Designated assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

	2009	2008
Capital acquisitions and payment of long-term debt	$ 5,228,332	$ 3,876,314

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2009 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

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

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets is as follows:

	2009	2008
Internally Designated Assets:		
Cash and cash equivalents	$ 1,844,440	$ 540,837
Certificates of deposit	3,248,773	3,163,458
Donated stock	116,416	149,714
Interest receivable	18,703	22,305
	$ 5,228,332	$ 3,876,314
Restricted Assets:		
Cash and cash equivalents	$ 21,971	$ 21,902
Certificate of deposit	482,180	466,424
Accrued interest	4,714	4,923
	$ 508,865	$ 493,249

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

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2009 and 2008, was as follows:

	2009	2008
Receivable from:		
Patients	$ 2,036,218	$ 2,619,010
Medicare	3,049,381	3,922,152
Medicaid	1,440,221	1,852,430
Blue Cross	594,951	765,234
Other commercial insurance carriers	715,903	920,803
Others	125,691	161,666
	7,962,365	10,241,295
Less allowances for doubtful accounts and contractual adjustments	2,542,416	2,828,416
	$ 5,419,949	$ 7,412,879

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2009 and 2008 were as follows:

Cost	Balance 2008	Additions	Disposals	Balance 2009
Land Improvements	$ 1,883,415	$ 223,599	$ --	$ 2,107,014
Buildings	7,122,866	9,380	--	7,132,246
Building Services Equipment	4,312,559	24,431	--	4,336,990
Medical Office Building	4,287,186	--	--	4,287,186
Fixed Equipment	2,753,805	--	2,050	2,751,755
Major Movable Equipment	10,261,040	424,276	13,550	10,671,766
Rural Health Clinic Equipment	418,649	5,235	--	423,884
	31,039,520	686,921	15,600	31,710,841
Depreciation				
Land Improvements	1,380,715	112,879	--	1,493,594
Buildings	4,342,563	231,890	--	4,574,453
Building Services Equipment	3,273,649	155,899	--	3,429,548
Medical Office Building	2,160,251	152,284	--	2,312,535
Fixed Equipment	2,395,479	77,742	2,050	2,471,171
Major Movable Equipment	7,800,736	770,442	13,550	8,557,628
Rural Health Clinic Equipment	373,451	15,765	--	389,216
Total Depreciation	21,726,844	1,516,901	15,600	23,228,145
Depreciable Capital Assets, Net	$ 9,312,676	$(829,980)	$ --	$ 8,482,696
Construction in Progress	$ 17,798	$ 144,737	$ 143,375	$ 19,160
Computer System Projects	110,325	305,119	163,450	251,994
Land Held for Future Development	410,080	--	--	410,080
Land	25,483	--	--	25,483
Non-Depreciable Capital Assets	$ 563,686	$ 449,856	$ 306,825	$ 706,717

NOTE G - CAPITAL ASSETS - Continued

Cost	Balance 2007	Additions	Disposals	Balance 2008
Land Improvements	$ 1,851,292	$ 32,123	$ --	$ 1,883,415
Buildings	7,091,704	31,162	--	7,122,866
Building Services Equipment	4,214,216	98,343	--	4,312,559
Medical Office Building	4,287,186	--	--	4,287,186
Fixed Equipment	2,721,962	31,843	--	2,753,805
Major Movable Equipment	9,621,539	656,926	17,425	10,261,040
Rural Health Clinic Equipment	--	418,649	--	418,649
	29,787,899	1,269,046	17,425	31,039,520
Depreciation				
Land Improvements	1,277,264	103,451	--	1,380,715
Buildings	4,110,979	231,584	--	4,342,563
Building Services Equipment	3,114,880	158,769	--	3,273,649
Medical Office Building	2,007,667	152,584	--	2,160,251
Fixed Equipment	2,304,166	91,313	--	2,395,479
Major Movable Equipment	7,091,843	722,318	13,425	7,800,736
Rural Health Clinic Equipment	--	373,451	--	373,451
Total Depreciation	19,906,799	1,833,470	13,425	21,726,844
Depreciable Capital Assets, Net	$ 9,881,100	$(564,424)	$ 4,000	$ 9,312,676
Construction in Progress	$ 2,294	$ 15,504	$ --	$ 17,798
Computer System Projects	254,196	354,905	498,776	110,325
Land Held for Future Development	410,080	--	--	410,080
Land	25,483	--	--	25,483
Non-Depreciable Capital Assets	$ 692,053	$ 370,409	$ 498,776	$ 563,686

The rural health clinic equipment cost of $418,649 and accumulated depreciation of $355,598 were combined with the hospital's 2008 additions as part of combining of the Cass County Medical Clinics and Hospital, effective October 1, 2007 (See Note M).

The Hospital rents a portion of the medical office building. Depreciation expense related to the rented space was $58,309 for the year ended June 30, 2009 ($81,229 for 2008).

NOTE H - LEASES

Assets recorded under capital leases consist of the following at June 30:

	2009	2008
Medical Equipment	$ 1,090,870	$ 1,090,870
Less: Accumulated Amortization	584,208	378,788
Net Book Value	$ 506,662	$ 712,082

NOTE I - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2009 and 2008 follows:

	Balance 2008	Additions	Reductions	Balance 2009	Current Portion
Long-Term Debt:					
Note payable	$ 831,222	$ --	$ 328,286	$ 502,936	$ 343,096
Debt issue and refunding costs	(41,769)	--	(17,229)	(24,540)	--
Total Long-Term Debt	789,453	--	311,057	478,396	343,096
Capital Lease Obligations	709,577	--	200,215	509,362	210,865
Total Non-Current Liabilities	$1,499,030	$ --	$ 511,272	$ 987,758	$ 553,961

	Balance 2007	Additions	Reductions	Balance 2008	Current Portion
Long-Term Debt:					
Note payable	$1,145,148	$ --	$ 313,926	$ 831,222	$ 328,287
Debt issue and refunding costs	(58,949)	--	(17,180)	(41,769)	--
Total Long-Term Debt	1,086,199	--	296,746	789,453	328,287
Capital Lease Obligations	899,799	--	190,222	709,577	200,215
Total Non-Current Liabilities	$1,985,998	$ --	$ 486,968	$1,499,030	$ 528,502

NOTE I - NON-CURRENT LIABILITIES - Continued

Note Payable

The Hospital issued $1,605,000 of a Hospital Revenue Refunding Note, Series 2006, for the purpose of early refunding the Hospital Revenue Bonds, Series 1995. The note is payable from the revenues of the Hospital. The note matures in semi-annual installments of $180,930 starting in May, 2006 through November, 2010, with an interest rate of 4.48%. The Hospital has pledged its future revenues (net of certain expenses) to repay the note. The annual debt service on the note is expected to require less than 15% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately $361,900 and $2,751,200 respectively.

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

Capital Leases

The Hospital has entered into three capital leases for the purchase of equipment. The leases carry interest rates of 1.45% to 8.78%. The leases mature from May, 2011 to October, 2012.

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending	Long-Term Debt		Capital Leases		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 343,096	$ 18,764	$ 210,865	$ 25,024	$ 553,961	$ 43,788
2011	159,840	3,607	191,787	13,774	351,627	17,381
2012	--	--	86,756	5,429	86,756	5,429
2013	--	--	19,954	293	19,954	293
	$ 502,936	$ 22,371	$ 509,362	$ 44,520	$1,012,298	$ 66,891

NOTE J - 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 4.10% (4.30% beginning July 1, 2009) of their annual salary and the Hospital is required to contribute 6.35% (6.65% beginning July 1, 2009) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were approximately $1,015,000, $870,000, and $659,000, respectively, equal to the required contributions for each year.

NOTE K - DEFERRED COMPENSATION PLAN

The Hospital offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows Hospital employees to defer a portion of their current salary until future years. The Hospital matches a portion of employee contributions to the employees' accounts. The Hospital's contribution expense totaled $203,279 and $188,092 for the years ended June 30, 2009 and 2008, respectively. The Hospital's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

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

The market value of the exclusive benefit plan assets at June 30, 2009 was approximately $6,585,000 ($7,130,000 at June 30, 2008). This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE L - RELATED PARTIES

Southwest Iowa Mental Health Center

The Hospital has entered into a sharing agreement with Southwest Iowa Mental Health Center, pursuant to Chapter 28E of the Iowa Code, to deliver mental health services in the area. Under the agreement, all non-physician personnel became employees of the Hospital. The Mental Health Center agreed to purchase all non-physician services necessary for the Center's operations from the Hospital. Tax funds collected by the Hospital for a portion of the cost of the Center's non-physician personnel result in credits being passed through to the Center. The Hospital agreed to purchase all mental health physician services necessary for its inpatient operation from the Center.

The Hospital has agreed to provide operating capital and fund operating deficits of the Center. During the years ended June 30, 2009 and 2008, the Hospital provided $70,000 of operating capital. The Center had net income in 2009 of $204,242 (net income of $77,161 in 2008) without the Hospital's funding.

NOTE L - RELATED PARTIES - Continued

Below is a summary of the activity and amounts due under the agreement with the Mental Health Center as of June 30:

	2009	2008
Hospital expense to Mental Health Center for physicians	$ 209,779	$ 211,817
Support and net deficit funding (refunding) to Hospital from Mental Health Center	$(143,624)	$(9,879)
Hospital revenue for Mental Health Center personnel costs and insurance	$ 822,249	$ 778,588
Owed to Hospital by the Mental Health Center	$ 697,825	$ 380,448

The financial arrangements for the 2009-2010 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately $338,100, which includes financial support and payment for physician services. The Center agreed to pay the Hospital approximately $722,000 for non-physician services. Future financial arrangements will be determined annually based on a review of actual operations and needs.

Health Partners of Southwest Iowa

The Hospital has joined with two other area hospitals (Myrtue Medical Center of Harlan and Montgomery County Memorial Hospital of Red Oak) to form a 28E organization, Health Partners of Southwest Iowa (HPSI). The organization was formed to share ideas, capital, and resources and to assist in the containment of healthcare costs, while improving the quality of healthcare being delivered in the member hospital service areas. Each of the three members purchase mobile scanning and other services from the organization.

Below is a summary of the Hospital's transactions with HPSI and year end balances involving the 28E organization:

	2009	2008
Services purchased from HPSI	$ 120,503	$ 107,986
Services and supplies provided to HPSI	$ 162,277	$ 150,921
Amount due from HPSI	$ 37,573	$ 70,800
Member share of net assets	$ 300,011	$ 272,435

NOTE L - RELATED PARTIES - Continued

The member share of net assets is included in other noncurrent assets and the amount due from HPSI is included in other receivables on the balance sheet. The Hospital has no ongoing financial interest in or responsibility to HPSI, other than that disclosed above. Financial statements of HPSI will be on file at the Hospital and the Office of the State Auditor.

Cass County Memorial Hospital Foundation
Cass County Memorial Hospital Foundation is a separate not-for-profit organization with an independent board of directors. The Hospital is the sole beneficiary of the Foundation. During the year ended June 30, 2009, contributions received from this organization were approximately $45,000 ($54,000 for 2008).

NOTE M - CASS COUNTY MEDICAL CLINICS

The Hospital and local physicians developed a not-for-profit corporation, Cass County Medical Clinics, Inc. (CCMC), to operate three local medical practices (Atlantic Medical Center, Eye Associates and Southwest Iowa Surgery). CCMC leases medical office space, and purchases medical services and supplies from the Hospital. CCMC also purchases health insurance coverage through the Hospital's self-funded group health insurance plan. The Hospital provided start up and operating capital to CCMC over several years, for the benefit of the community. During the year ended June 30, 2009, the Hospital recorded an allowance of $ - 0 - against the advances ($79,034 for 2008). The operations of CCMC are managed by the Hospital and physicians. The Hospital has pledged to support CCMC as may be necessary in the future.

Effective October 1, 2007, the operations of CCMC-Atlantic Medical Center were designated as Rural Health Clinics and merged with the Hospital. The operations of the Rural Health Clinics are recorded as departments of the Hospital. The assets and liabilities of CCMC-Atlantic Medical Center were combined with the Hospital's assets and liabilities, and the related receivable and payable were offset. The combining of Clinic's and Hospital's assets and liabilities resulted in a reduction to the Hospital's net assets of $2,567,987. Under the new agreement, the Hospital employed CCMC-Atlantic Medical Center's non-physician staff, and the physicians remained employees of CCMC-Atlantic Medical Center. The Hospital purchases the physician services based on a budgeted amount, set prior to the start of each year. After the completion of the year, an analysis is prepared to determine any net settlement.

Transactions between the Hospital and CCMC are listed below:

	2009	2008
CCMC purchases from Hospital		
Rent of medical office space	$ 65,594	$ 97,920
Medical services, insurance, and other expenses	48,382	5,651
Health insurance	158,513	155,091
	$ 272,489	$ 258,662
Hospital purchases from CCMC		
Physician services	$ 1,815,306	$ 1,191,100

NOTE M - CASS COUNTY MEDICAL CLINICS - Continued

Following is a schedule of the investment in CCMC as of June 30:

	2009	2008
Purchases of physician practices	$ 84,944	$ 84,944
Advances of operating capital, and unpaid rent and insurance	350,534	220,897
	$ 435,478	$ 305,841

NOTE N - COMMITMENTS AND CONTINGENCIES

Self-Funded Health Insurance
The Hospital has established an employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. The estimated amount of unpaid claims at June 30, 2009 and June 30, 2008 is $150,000, which is reported in other current liabilities.

Construction in Progress
As of June 30, 2009, the Hospital incurred planning costs of $19,160 for possible future renovations to the existing facility and expansion of a parking lot. As of the date of this report, no commitments have been made on renovations to the existing facility.

Computer System Project and Equipment
As of June 30, 2009, the Hospital incurred fees of $239,100 for various computer hardware and software applications, and equipment that had not been completed and placed in service. The total remaining estimated cost of the equipment and software is $283,000, which is being financed through the use of internally generated funds.

As of June 30, 2009, the Hospital made a downpayment of $12,894 for radiology equipment, bone density equipment, and a digital mammography unit. The bone density equipment has a cost of approximately $45,000 which will be financed through the use of internally generated funds. The radiology equipment and digital mammography unit has a cost of approximately $660,000 which will be financed through leases for sixty months.

NOTE N - COMMITMENTS AND CONTINGENCIES - Continued

Other Post Employment Benefits (OPEB)
The Hospital implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Risk Management
The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Cass County Memorial Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

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REQUIRED SUPPLEMENTARY INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2009

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

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	$ 1,787,529	$ --	$ 1,787,529
Other revenues	31,183,450	--	31,183,450
Transfers in (out)	(15,616)	15,616	--
	32,955,363	15,616	32,970,979
Expenses	31,698,666	--	31,698,666
Net	1,256,697	15,616	1,272,313
Balance beginning of year	20,547,427	493,249	21,040,676
Balance end of year	$ 21,804,124	$ 508,865	$ 22,312,989

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	$ 1,787,529	$(90,000)	$ 1,697,529	$ 1,593,113
Other revenues	31,183,450	175,027	31,358,477	32,175,784
	32,970,979	85,027	33,056,006	33,768,897
Expenses	31,698,666	920,376	32,619,042	32,974,400
Net	1,272,313	(835,349)	436,964	794,497
Balance beginning of year	21,040,676	(10,198,420)	10,842,256	10,842,256
Balance end of year	$ 22,312,989	$(11,033,769)	$ 11,279,220	$ 11,636,753

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2009 Amount	2009 Percent to Total	2008 Amount	2008 Percent to Total
0 - 30	$ 932,003	11.7%	$ 1,194,980	11.7%
31 - 60	813,695	10.2	1,365,699	13.3
61 - 90	538,767	6.8	831,302	8.1
91 - 120	315,759	4.0	510,007	5.0
121 and over	1,373,550	17.3	2,067,253	20.2
	3,973,774	50.0	5,969,241	58.3
In hospital	2,333,610	29.3	2,270,840	22.2
Total hospital	6,307,384	79.3	8,240,081	80.5
Rural Health Clinic	1,654,981	20.7	2,001,214	19.5
	7,962,365	100.0%	10,241,295	100.0%
Less:				
Allowance for doubtful accounts - hospital	610,000		700,000	
Allowance for doubtful accounts - RHC	628,416		628,416	
Allowance for contractual adjustments - hospital	1,304,000		1,500,000	
	$ 5,419,949		$ 7,412,879	

Hospital Allowance for Doubtful Accounts:

	Year ended June 30, 2009	2008
Balance, beginning	$ 700,000	$ 720,000
Provision for bad debts	2,488,672	1,908,885
Recoveries of accounts previously written off	352,517	350,041
	3,541,189	2,978,926
Accounts written off	2,931,189	2,278,926
Balance, ending	$ 610,000	$ 700,000

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Other Receivables/Inventory/Prepaid Expense
June 30,

	2009	2008
Other Receivables		
Shared services	$ 81,096	$ 87,493
Health Partners of Southwest Iowa	37,573	70,800
Lifeline	14,948	43,984
Southwest Iowa Mental Health Center	697,825	380,448
Other	8,257	74,311
	$ 839,699	$ 657,036
Inventory		
General stores	$ 58,746	$ 55,573
Pharmacy	485,448	524,490
Radiology	10,050	10,649
Laboratory	74,926	54,912
Rural Health Clinic	15,000	15,000
Dietary	6,558	6,684
Fuel oil	6,796	10,066
Information system	25,447	25,304
	$ 682,971	$ 702,678
Prepaid Expense		
Dues	$ 15,540	$ 15,084
Insurance	91,165	85,733
Maintenance agreements and other	447,664	265,619
	$ 554,369	$ 366,436

See Independent Auditor's Report.

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

	2009	2008
Daily Patient Services:		
Medical and surgical	$ 1,964,299	$ 1,933,568
Obstetric	257,622	259,821
Intensive care	983,706	1,025,197
Nursery	130,375	119,715
Psychiatric services	1,921,304	1,739,430
Distinct Skilled Unit	9,860	21,242
	5,267,166	5,098,973
Other Nursing Services:		
Operating room	2,197,200	1,990,806
Recovery room	321,328	267,434
Delivery and labor rooms	201,727	156,689
Central services and supply	2,447,756	2,017,609
Intravenous therapy	360,081	413,085
Emergency service	2,435,619	2,338,947
Oncology service	447,845	423,848
Enterstomal therapy	111,172	131,780
	8,522,728	7,740,198
Other Professional Services:		
Laboratory	7,145,378	6,701,862
Blood bank	123,327	246,036
Electrocardiology	193,660	208,604
Cardiac stress testing	151,395	141,755
Ambulatory electrocardiology	86,504	92,814
Radiology	2,020,565	1,994,294
CT scanning	3,481,850	2,931,229
MRI scanning	1,247,922	1,251,579
Nuclear medicine and ultrasound	1,516,106	1,536,729
Pharmacy	5,672,559	5,274,284
Anesthesia	1,012,593	915,524
Respiratory care	1,840,659	1,858,851
Physical therapy	908,954	942,108
Speech therapy	107,138	44,666
Occupational therapy	181,817	174,727
Home Health Care	1,580,730	1,759,631
Hospice	757,734	678,894
Cardiac rehabilitation	132,411	151,756
Diabetic center	43,996	48,284
Sleep study	186,976	215,452
Rural Health Clinics	5,257,081	4,033,992
	33,649,355	31,203,071
	$ 47,439,249	$ 44,042,242

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CASS COUNTY MEMORIAL HOSPITAL
Patient Service Revenue - Continued
Year ended June 30,

	2009	2008
SUMMARY		
Inpatient	$ 7,695,689	$ 8,137,451
Swing Bed	2,738,019	2,470,846
Distinct Skilled Unit	25,420	49,839
Psychiatric Services	2,244,580	2,049,094
Outpatient	27,139,996	24,862,495
Home Health Care	1,580,730	1,759,631
Hospice	757,734	678,894
Rural Health Clinics	5,257,081	4,033,992
	$ 47,439,249	$ 44,042,242

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	2009	2008
Net Patient Service Revenue:		
Patient service revenue	$ 47,439,249	$ 44,042,242
Contractual adjustments - hospital	(14,159,990)	(13,272,836)
Provision for bad debts - hospital	(2,488,672)	(1,908,885)
Provision for contractual adjustments and bad debts - RHC	(438,084)	(867,437)
Uncompensated care	(415,799)	(298,909)
	$ 29,936,704	$ 27,694,175
Other Revenue:		
Interest income on operating funds	$ 17,176	$ 30,591
Meals sold to employees and guests	194,297	170,819
Meals on wheels	49,838	41,688
Operating grants	458,419	492,811
Medical record transcripts	6,265	9,474
VHA participation	57,931	108,990
Biomedical service	30,717	30,524
Nursing education	2,628	2,971
Wellness program	210	66
Other	70,000	82,485
	$ 887,481	$ 970,419

See Independent Auditor's Report.

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

	2009	2008
Administrative:		
Salaries and wages	$ 114,169	$ 119,704
Supplies and other expense	5,278	4,767
	119,447	124,471
In-Service Training:		
Salaries and wages	72,825	77,193
Supplies and other expense	28,656	20,765
	101,481	97,958
Quality Assurance:		
Salaries and wages	174,247	57,027
Supplies and other expense	14,059	1,025
	188,306	58,052
Nursing Supervision:		
Salaries and wages	257,680	263,014
Supplies and other expense	449	577
	258,129	263,591
Medical and Surgical:		
Salaries and wages	1,141,658	1,084,250
Supplies and other expense	103,124	77,768
	1,244,782	1,162,018
Psychiatric Services:		
Salaries and wages	957,930	902,317
Professional fees	213,585	214,686
Supplies and other expense	22,799	51,168
	1,194,314	1,168,171
Intensive Care:		
Salaries and wages	441,117	382,129
Supplies and other expense	55,376	79,802
	496,493	461,931
Obstetric:		
Salaries and wages	297,818	296,545
Supplies and other expense	45,217	52,255
	343,035	348,800
Distinct Skilled Unit:		
Salaries and wages	11,570	12,117
Supplies and other expense	100	100
	11,670	12,217

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	2009	2008
Nursery:		
Salaries and wages	$ 137,038	$ 132,754
Operating Room:		
Salaries and wages	501,322	453,236
Professional fees	3,581	207,134
Supplies and other expense	137,526	96,143
	642,429	756,513
Recovery Room:		
Salaries and wages	37,162	34,751
Delivery and Labor Rooms:		
Salaries and wages	60,562	58,310
Central Services and Supply:		
Salaries and wages	51,146	49,587
Supplies sold to patients	425,074	440,641
Supplies and other expense	3,661	3,609
	479,881	493,837
Intravenous Therapy:		
Solutions	15,110	12,685
Supplies and other expense	125,809	105,275
	140,919	117,960
Emergency Room:		
Salaries and wages	286,786	242,556
Supplies and other expense	26,871	34,007
	313,657	276,563
Outpatient Clinics:		
Salaries and wages	400,822	373,298
Supplies and other expense	17,980	22,811
	418,802	396,109
	$ 6,188,107	$ 5,964,006

See Independent Auditor's Report.

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

	2009	2008
Emergency Room Physicians:		
Salaries and wages	$ 110,097	$ 50,631
Professional fees	322,910	294,663
	433,007	345,294
Laboratory:		
Salaries and wages	748,106	662,221
Professional fees	378,804	306,575
Supplies and other expense	275,962	282,610
Cost of chemistry reagents	320,379	274,909
	1,723,251	1,526,315
Blood Bank:		
Cost of blood	155,150	176,784
Electrocardiology:		
Salaries and wages	8,652	8,483
Supplies and other expense	3,426	1,359
	12,078	9,842
Cardiac Stress Testing:		
Salaries and wages	8,194	7,910
Professional fees	1,036	1,204
Supplies and other expense	2,455	457
	11,685	9,571
Ambulatory Electrocardiology:		
Salaries and wages	9,409	9,227
Supplies and other expense	418	302
	9,827	9,529
Radiology:		
Salaries and wages	298,418	283,742
Professional fees	3,984	3,003
Cost of film	4,805	4,273
Supplies and other expense	112,559	123,323
	419,766	414,341
CT and MRI Scanning:		
Salaries and wages	102,854	98,235
Purchased services	162,525	159,100
Supplies and other expense	146,956	128,089
	412,335	385,424

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Nuclear Medicine and Ultrasound:		
Salaries and wages	$ 81,605	$ 77,895
Purchased services	137,099	154,682
Supplies and other expense	21,587	20,223
	240,291	252,800
Pharmacy:		
Salaries and wages	585,175	566,193
Drugs	1,557,470	1,504,675
Supplies and other expense	61,557	51,864
	2,204,202	2,122,732
Anesthesia:		
Salaries and wages	410,302	376,938
Professional fees	59,199	17,873
Supplies and other expense	12,117	21,263
	481,618	416,074
Respiratory Care:		
Salaries and wages	197,192	209,521
Oxygen	16,091	15,776
Supplies and other expense	18,734	17,547
	232,017	242,844
Physical Therapy:		
Salaries and wages	302,930	235,512
Supplies and other expense	11,698	10,076
	314,628	245,588
Occupational Therapy:		
Salaries and wages	80,592	82,283
Supplies and other expense	10,799	3,170
	91,391	85,453
Speech Therapy:		
Salaries and wages	50,419	23,260
Professional fees	250	4,938
Supplies and other expense	2,299	1,531
	52,968	29,729

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Home Health Care:		
Salaries and wages	$ 1,604,853	$ 1,719,112
Professional fees	113	5,729
Supplies and other expense	362,936	357,021
	1,967,902	2,081,862
Hospice:		
Salaries and wages	288,126	205,590
Professional fees	573	723
Supplies and other expense	251,686	234,055
	540,385	440,368
Cardiac Rehabilitation:		
Salaries and wages	161,410	157,836
Supplies and other expense	14,905	16,992
	176,315	174,828
Diabetic Center:		
Salaries and wages	94,280	96,934
Supplies and other expense	4,059	4,171
	98,339	101,105
Business Health:		
Supplies and other expense	5,509	5,520
Medical Records:		
Salaries and wages	323,701	297,175
Supplies and other expense	35,056	34,765
Microfilming services purchased	19,186	18,855
	377,943	350,795
Medical Education - Community Orientation Program:		
Supplies and other expense	3,787	4,810

(continued next page)

CASS COUNTY MEMORIAL HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Utilization Review:		
Salaries and wages	$ 182,161	$ 173,035
Supplies and other expense	2,926	1,703
	185,087	174,738
Sleep Studies:		
Purchased services	92,528	83,288
Supplies and other expense	107	36
	92,635	83,324
Rural Health Clinic - Atlantic:		
Salaries and wages	1,460,721	956,424
Employee benefits	344,453	268,510
Professional fees	1,649,625	1,134,759
Purchased services	46,255	28,596
Facility costs	43,626	54,500
Supplies and other expense	173,082	112,832
	3,717,762	2,555,621
Rural Health Clinic - Anita:		
Salaries and wages	43,866	50,907
Employee benefits	15,285	340
Professional fees	68,789	27,462
Facility costs	19,735	14,032
Supplies and other expense	10,014	6,417
	157,689	99,158
Rural Health Clinic - Massena:		
Salaries and wages	38,842	41,680
Employee benefits	13,271	269
Professional fees	59,249	23,724
Facility costs	7,237	6,540
Supplies and other expense	13,792	6,644
	132,391	78,857
Rural Health Clinic - Griswold:		
Salaries and wages	50,394	43,530
Employee benefits	17,204	372
Professional fees	72,022	28,656
Facility costs	20,919	15,710
Supplies and other expense	10,381	9,645
	170,920	97,913
	$ 14,420,878	$ 12,521,219

See Independent Auditor's Report.

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

	2009	2008
Dietary:		
Salaries and wages	$ 447,024	$ 422,852
Food	242,378	224,135
Supplies and other expense	58,490	62,069
	747,892	709,056
Operation of Plant:		
Salaries and wages	318,036	307,414
Electricity	118,902	105,284
Natural gas and fuel oil	132,369	132,606
Water	20,098	19,403
Supplies and other expense	212,428	220,799
	801,833	785,506
Clinical Equipment:		
Contracted services	93,826	89,404
Supplies and other expense	4,583	4,941
	98,409	94,345
Housekeeping:		
Salaries and wages	319,313	302,932
Contracted management services	227,387	192,887
Supplies and other expense	64,012	54,565
	610,712	550,384
Laundry and Linen:		
Salaries and wages	36,725	37,620
Contracted management services	22,244	20,051
Supplies and other expense	72,761	73,613
Linens	2,103	4,137
	133,833	135,421
	$ 2,392,679	$ 2,274,712

See Independent Auditor's Report.

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

	2009	2008
Administrative Services:		
Salaries and wages	$ 270,225	$ 246,568
Dues and subscriptions	39,032	35,675
Legal publications and advertising	8,069	7,356
Consulting fees	216,904	220,746
Supplies and other expense	53,184	33,093
	587,414	543,438
Fiscal Services:		
Salaries and wages	333,292	318,720
Telephone	38,830	41,873
Freight and postage	18,713	19,512
Professional fees	35,210	31,750
Supplies and other expense	108,993	118,134
	535,038	529,989
Admissions:		
Salaries and wages	277,053	255,457
Supplies and other expense	14,699	13,995
	291,752	269,452
Credit and Collections:		
Salaries and wages	177,670	166,267
Supplies and other expense	96,568	128,430
Collection expense	94,175	96,234
	368,413	390,931
Information Systems:		
Salaries and wages	521,033	476,147
Professional fees	60,218	84,927
Supplies and other expense	253,241	290,651
	834,492	851,725
Human Resources:		
Salaries and wages	197,196	176,928
Supplies and other expense	133,852	195,794
	331,048	372,722
Public Relations:		
Salaries and wages	50,444	47,241
Supplies and other expense	79,961	64,078
	130,405	111,319
Purchasing:		
Salaries and wages	110,442	102,890
Supplies and other expense	28,418	25,919
	138,860	128,809

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CASS COUNTY MEMORIAL HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	2009	2008
Employee Welfare:		
Social Security tax	$ 999,086	$ 884,633
Iowa Public Employees' Retirement System	917,058	796,754
Group health insurance	1,286,065	1,068,012
Workers' compensation insurance	323,548	261,654
Deferred compensation	197,585	176,466
Other	12,276	7,759
	3,735,618	3,195,278
Insurance:		
Liability and property insurance	178,643	142,999
Wellness:		
Salaries and wages	25,170	--
Supplies and other expense	19,634	--
	44,804	--
Quality Improvement:		
Salaries and wages	--	92,896
Supplies and other expense	--	2,606
	--	95,502
Compliance:		
Supplies and other expense	4,725	2,475
Customer Service:		
Salaries and wages	235	--
Supplies and other expense	27,277	29,703
	27,512	29,703
Foundation:		
Salaries and wages	29,686	5,679
	$ 7,238,410	$ 6,670,021

Summary of Expenses

Salaries and wages	$ 15,299,695	$ 13,932,673
Employee benefits	4,125,831	3,464,769
Professional fees	3,146,052	2,608,552
Supplies and other expense	7,668,496	7,423,964
	$ 30,240,074	$ 27,429,958

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statistics
Year ended June 30,

	2009	2008	2007	2006	2005
Acute Care:					
Admissions	1,023	1,059	936	1,041	1,283
Discharges	1,015	1,058	944	1,037	1,278
Patient Days	2,716	3,168	3,061	3,224	4,025
Average Length of Stay	2.68	2.99	3.24	3.11	3.15
Average Occupied Beds	7.4	8.7	8.4	8.8	11.0
Swing Bed:					
Admissions	339	340	284	281	390
Discharges	343	341	282	284	393
SNF Days	2,276	2,165	2,045	1,754	2,762
Average Occupied Beds	6.2	5.9	5.6	4.8	7.6
Skilled Nursing Facility:					
Admissions	9	4	5	13	--
Discharges	9	5	4	13	--
Patient Days	42	43	20	79	--
Combined Average Occupied Beds (Acute and Skilled)	13.8	14.7	14.0	13.9	18.5
Psychiatric Unit:					
Admissions	209	226	211	219	130
Discharges	214	227	207	223	127
Patient Days	1,187	1,118	1,014	1,406	804
Average Occupied Beds	3.3	3.1	2.8	3.9	2.2
Total Average Occupied Beds	17.0	17.7	16.8	17.7	20.8
Nursery Days	329	325	291	311	290
Outpatient Occasions of Service	63,797	61,527	55,640	54,571	45,468
Physician Clinic Visits	43,584	32,354	--	--	--

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Balance Sheets
June 30,

	2009	2008
Current Assets:		
Cash	$ 3,322,317	$ 1,693,315
Patient receivables, net	5,419,949	7,412,879
Other receivables	839,699	657,036
Inventory	682,971	702,678
Prepaid expense	554,369	366,436
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	2,086,000	1,593,000
Internally designated assets	562,833	615,523
Total current assets	13,468,138	13,040,867
Other Assets:		
Designated and restricted assets, net	5,174,364	3,754,040
Capital assets, net	9,189,413	9,876,362
Other noncurrent assets	1,055,409	924,536
Total other assets	15,419,186	14,554,938
	$ 28,887,324	$ 27,595,805
Current Liabilities:		
Current maturities	$ 553,961	$ 528,502
Accounts payable	717,953	742,663
Accrued expenses	2,199,624	1,952,436
Estimated third-party payor settlements	583,000	768,000
Deferred revenue for succeeding year property tax receivable	2,086,000	1,593,000
Total current liabilities	6,140,538	5,584,601
Capital Lease Obligations, Net	298,497	509,362
Bonds Payable, Net	135,300	461,166
Net Assets	22,312,989	21,040,676
	$ 28,887,324	$ 27,595,805

See Independent Auditor's Report.

2007	2006	2005
$ 1,179,749	$ 576,870	$ 1,027,984
5,129,144	5,651,770	3,412,310
374,128	342,678	438,240
617,445	584,569	599,789
343,526	345,593	233,550
265,000	--	801,000
1,711,000	1,493,000	1,489,000
596,172	772,484	562,732
10,216,164	9,766,964	8,564,605
3,517,263	2,077,585	2,469,878
10,573,153	11,083,160	11,282,226
3,484,618	3,533,776	3,308,004
17,575,034	16,694,521	17,060,108
$ 27,791,198	$ 26,461,485	$ 25,624,713
$ 504,148	$ 569,681	$ 453,151
738,704	787,030	877,309
1,548,302	1,412,148	1,737,772
--	333,000	--
1,711,000	1,493,000	1,489,000
4,502,154	4,594,859	4,557,232
709,577	419,121	9,094
772,273	1,069,066	1,555,208
21,807,194	20,378,439	19,503,179
$ 27,791,198	$ 26,461,485	$ 25,624,713

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statements of Revenues and Expenses
Year ended June 30,

	2009	2008
Patient Service Revenue	$ 47,439,249	$ 44,042,242
Adjustments to Patient Service Revenue	(17,502,545)	(16,348,067)
Net Patient Service Revenue	29,936,704	27,694,175
Other Revenue	887,481	970,419
Total Revenue	30,824,185	28,664,594
Expenses	31,698,666	28,826,601
Operating Loss	(874,481)	(162,007)
Non-Operating Revenue, Net	2,082,108	1,896,297
Capital Grants and Contributions	64,686	67,179
Excess of Revenues Over Expenses	$ 1,272,313	$ 1,801,469

See Independent Auditor's Report.

2007	2006	2005
$ 36,357,236	$ 35,392,009	$ 33,320,020
(13,045,084)	(13,916,819)	(14,402,208)
23,312,152	21,475,190	18,917,812
429,657	379,229	388,473
23,741,809	21,854,419	19,306,285
24,075,267	22,795,186	20,996,214
(333,458)	(940,767)	(1,689,929)
1,694,884	1,687,530	1,862,437
67,329	128,497	13,649
$ 1,428,755	$ 875,260	$ 186,157

COMMENTS AND RECOMMENDATIONS

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

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Cass County Memorial Hospital
Atlantic, Iowa

We have audited the financial statements of Cass County Memorial Hospital as of and for the year ended June 30, 2009, and have issued our report thereon dated October 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Memorial Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Grinnell, Ben, Kyhnn & Co. P.C.

Atlantic, Iowa
October 1, 2009

CASS COUNTY MEMORIAL HOSPITAL
Schedule of Findings
Year ended June 30, 2009

PART I - SIGNIFICANT DEFICIENCIES

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

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

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

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

09-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2009 did not exceed amounts budgeted.

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

Paid to	Purpose	Amount
Employee Recreation Club	Employee holiday party	$ 750

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

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

Conclusion: Response accepted.

PART II - REQUIRED STATUTORY REPORTING - Continued

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

09-II-D Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

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

09-II-F Deposits and Investments: We noted no instances of 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.

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