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

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

YEARS ENDED JUNE 30, 2009 AND 2008

MAHASKA HEALTH PARTNERSHIP

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MAHASKA HEALTH PARTNERSHIP
Officials
June 30, 2009

Board of Trustees:	Address	Term Expires
Mike Grim, Chairman	Eddyville, Iowa	2014
Jon Sullivan, Vice-Chairman	Oskaloosa, Iowa	2010
Paul Swenson, Secretary	Oskaloosa, Iowa	2014
Jim Hansen, Treasurer	Oskaloosa, Iowa	2012
Mary Sexton	Rose Hill, Iowa	2014
Becky Siefering	Oskaloosa, Iowa	2012
Lawrence Everett	New Sharon, Iowa	2010

Chief Executive Officer:

Jay Christensen	Oskaloosa, Iowa

Chief Financial Officer:

Susan Horras	West Des Moines, Iowa

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mahaska Health Partnership
Oskaloosa, Iowa

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mahaska Health Partnership 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 16, 2009 on our consideration of Mahaska Health Partnership'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
Mahaska Health Partnership

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 22 through 39) 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.

Grimesworth, Beer, Kyhnn & Co. P.C.

Atlantic, Iowa
October 16, 2009

MAHASKA
HEALTH PARTNERSHIP
1229 C Avenue East ■ Oskaloosa, Iowa 52577 ■ 641-672-3132 ■ Fax 641-672-3336

Mahaska Health Partnership
Management's Discussion and Analysis

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

Please note that the Foundations' activities have been consolidated with the Hospital fiscal years 2009 and 2008.

FINANCIAL HIGHLIGHTS

The Hospital's net assets increased in each of the past two years with a $2,268,309 or 8.5% increase in 2009 and a $2,054,605 or 8.3% increase in 2008.

The Hospital reported operating losses in 2009 ($988,379) and 2008 ($645,411). Losses in 2009 increased by $342,968 from the loss reported in 2008. Operating losses in 2008 increased by $458,326 from the loss reported in 2007.

Nonoperating revenues decreased by ($255,583) or 10.3% in 2009 compared to 2008. Nonoperating revenues increased by $361,106 or 17.1% in 2008 compared to 2007.

Excess revenues over expenses before capital grants and contributions decreased by ($598,551) or 32.6% in 2009 compared to 2008, and decreased by ($97,220) or 5.0% in 2008 compared to 2007.

USING THIS ANNUAL REPORT

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

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

Our analysis of the Hospital finances begins on page 4a. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

THE STATEMENT OF CASH FLOWS

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

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The Hospitals' net assets increased in each of the past two years by $2,268,309 in 2009 and $2,054,605 in 2008, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	2009	2008	2007
Assets:			
Current assets	$ 13,538,547	$ 10,719,966	$ 13,701,790
Capital assets, net	19,672,331	19,986,111	20,936,862
Other noncurrent assets	7,660,956	7,891,267	2,654,661
Total assets	$ 40,871,834	$ 38,597,344	$ 37,293,313
Liabilities:			
Long-term debt outstanding	$ 6,302,866	$ 7,129,325	$ 7,520,416
Other current and noncurrent liabilities	5,469,218	4,636,578	4,996,061
Total liabilities	$ 11,772,084	$ 11,765,903	$ 12,516,477
Net Assets:			
Invested in capital assets, net of related debt	$ 12,272,889	$ 12,067,652	$ 11,723,376
Restricted expendable net assets	2,506,162	1,489,535	964,716
Restricted nonexpendable permanent endowments	6,000	6,000	6,000
Unrestricted	14,314,699	13,268,254	12,082,744
Total net assets	$ 29,099,750	$ 26,831,441	$ 24,776,836

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

In 2009, the Hospital's net assets increased by $2,268,309 or 8.5%, as shown in Table 2. This increase is made up of very different components.

Table 2: Operating Results and Changes in Net Assets

	2009	2008	2007
Operating Revenues:			
Net patient service revenues	$ 30,032,066	$ 28,112,640	$ 26,952,147
Other operating revenues	256,025	216,870	206,684
Total operating revenues	30,288,091	28,329,510	27,158,831
Operating Expenses:			
Salaries and benefits	19,909,490	18,162,409	17,135,409
Professional fees	816,297	761,883	778,946
Other operating expenses	8,427,087	7,767,717	7,106,948
Depreciation and amortization	2,123,596	2,282,912	2,324,613
Total operating expenses	31,276,470	28,974,921	27,345,916
Operating loss	(988,379)	(645,411)	(187,085)
Nonoperating Revenues and Expenses:			
Property taxes	1,912,020	1,912,025	1,863,912
Investment income	140,008	284,245	218,927
Noncapital grants and contributions	76,948	295,562	10,900
Other nonoperating revenues and expenses, net	94,457	(12,816)	24,171
Nonoperating revenues, net	2,223,433	2,479,016	2,117,910
Excess of Revenues over Expenses and Increase in Net Assets	1,235,054	1,833,605	1,930,825
Capital Grants and Contributions	1,033,255	221,000	--
Excess of Revenues Over Expenses and Increase in Net Assets	2,268,309	2,054,605	1,930,825
Net Assets Beginning of Year	26,831,441	24,776,836	22,846,011
Net Assets End of Year	$ 29,099,750	$ 26,831,441	$ 24,776,836

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2009 was prepared on a modified accrual basis. The original budget of expenditures was approved at the meeting on February 25, 2008. Actual expenditures were lower than budget.

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating income (loss) - generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. Losses in 2009 increased by $342,968 compared to the loss reported in 2008.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Hospital and interest revenue, investment earnings and contributions. Total nonoperating revenues decreased $255,583 compared to 2008. Investment income went from $284,245 in 2008 to $140,008 in 2009.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in Note A to the financial statements. Capital grants and contributions received in 2009 and 2008 relate to the Foundations.

THE HOSPITAL'S CASH FLOWS

The Hospital's Statement of Cash Flows is an analytical tool useful in determining the short-term viability of the organization. The statement includes only cash inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments (i.e., depreciation, bad debt write-offs). Total cash and cash equivalents at June 30, 2009 was $8,397,601 compared to $7,248,901 at June 30, 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2009, the Hospital had $19.7 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. The Hospital had additions of new equipment and construction in progress in 2009 of $1,800,233 and $1,314,288 in 2008.

Debt:

At year-end, the Hospital had $7.2 million in revenue notes and bonds, and promissory notes outstanding. A detail of long term debt is provided in Note H to the financial statements.

OTHER ECONOMIC FACTORS

The Hospital is dependent upon payments from Medicare, Medicaid and other third-party payers. Each of these payers has continued to put pressure on reimbursement levels paid to the hospital. Medicare represents nearly 42% of hospital revenues and presently reimburses the hospital approximately 57% of billed charges.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administrator, at Mahaska Health Partnership, Oskaloosa, Iowa 52577.

MAHASKA HEALTH PARTNERSHIP
Consolidated Balance Sheets
June 30,

ASSETS

	2009	2008
Current Assets:		
Cash	$ 3,641,120	$ 1,217,657
Patient receivables, less allowances for doubtful accounts and for contractual adjustments ($2,475,808 in 2009, $2,378,324 in 2008)	5,378,579	5,202,695
Other receivables	48,685	50,584
Inventory	1,250,581	1,318,708
Prepaid expense	203,179	179,436
Estimated third-party payor settlements	--	22,000
Succeeding year property tax receivable	1,780,000	1,780,000
Internally designated assets	1,236,403	948,886
Total current assets	13,538,547	10,719,966
Designated and Restricted Assets:		
Internally designated assets	6,102,571	6,957,741
Restricted assets	2,512,162	1,495,535
	8,614,733	8,453,276
Less amounts required to meet current liabilities	1,236,403	948,886
	7,378,330	7,504,390
Capital Assets:		
Depreciable capital assets	18,563,440	19,485,277
Non-depreciable capital assets	1,108,891	500,834
	19,672,331	19,986,111
Other Assets:		
Notes receivable	13,334	95,000
Debt issue costs	250,736	260,319
Other	18,556	31,558
	282,626	386,877
Total assets	$ 40,871,834	$ 38,597,344

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2009	2008
Current Liabilities:		
Current maturities of long-term debt	$ 826,450	$ 651,594
Accounts payable	749,630	679,142
Accrued employee compensation	1,357,129	1,102,780
Accrued payroll taxes and withholding	27,780	79,068
Accrued health insurance claims	210,000	183,000
Accrued interest payable	154,229	160,994
Estimated third-party payor settlements	364,000	--
Deferred revenue for succeeding year property tax receivable	1,780,000	1,780,000
Total current liabilities	5,469,218	4,636,578
Long-Term Debt:		
Revenue bonds and notes payable, less unamortized refunding costs, and current maturities	6,302,866	7,129,325
Total liabilities	11,772,084	11,765,903
Net Assets:		
Invested in capital assets, net of related debt	12,272,889	12,067,652
Restricted	2,512,162	1,495,535
Unrestricted	14,314,699	13,268,254
Total net assets	29,099,750	26,831,441
Total liabilities and net assets	$ 40,871,834	$ 38,597,344

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	2009	2008
Revenue:		
Net patient service revenue	$ 30,032,066	$ 28,112,640
Other revenue	256,025	216,870
Total revenue	30,288,091	28,329,510
Expenses:		
Nursing service	7,531,358	6,968,836
Other professional service	13,382,067	12,224,777
General service	2,727,136	2,547,254
Fiscal and administrative service	5,512,313	4,951,142
Provision for depreciation	2,114,013	2,265,003
Amortization	9,583	17,909
Total expenses	31,276,470	28,974,921
Operating Loss	(988,379)	(645,411)
Non-Operating Revenue (Expenses):		
County taxes	1,912,020	1,912,025
County subsidy - New Directions	233,956	179,652
Investment income	140,008	284,245
Noncapital grants and contributions	76,948	295,562
Rental income	272,543	285,008
Interest expense	(413,242)	(477,763)
Gain on disposal of assets	1,200	287
Non-operating revenue, net	2,223,433	2,479,016
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,235,054	1,833,605
Capital Grants and Contributions	1,033,255	221,000
Excess of Revenues Over Expenses and Increase in Net Assets	2,268,309	2,054,605
Net Assets Beginning of Year	26,831,441	24,776,836
Net Assets End of Year	$ 29,099,750	$ 26,831,441

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Cash Flows
Year ended June 30,

	2009	2008
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 30,244,081	$ 27,541,849
Cash paid to suppliers	(13,293,425)	(12,027,490)
Cash paid to employees	(15,560,485)	(14,415,033)
Other revenue	256,025	216,870
Net cash provided by operating activities	1,646,196	1,316,196
Cash flows from non-capital financing activities:		
County tax revenue and subsidy	2,145,976	2,091,677
Noncapital grants and contributions	76,948	295,562
Net cash provided by non-capital financing activities	2,222,924	2,387,239
Cash flows from capital and related financing activities:		
Capital expenditures	(1,747,598)	(1,347,147)
Change in other assets	13,002	(11,666)
Capital grants and contributions	1,033,255	221,000
Interest paid	(386,323)	(436,622)
Principal paid on long-term debt	(685,287)	(1,295,027)
Proceeds on sale of assets	1,200	323
Net cash used in capital and related financing activities	(1,771,751)	(2,869,139)
Cash flows from investing activities:		
Investment income	193,273	321,291
Change in designated and restricted assets	(1,489,485)	55,493
Loans granted for physician recruitment	(10,000)	(90,000)
Physician recruitment loan repayment	85,000	40,000
Rental income	272,543	285,008
Net cash provided by (used in) investing activities	(948,669)	611,792
Net increase in cash and cash equivalents	1,148,700	1,446,088
Cash and cash equivalents at beginning of year	7,248,901	5,802,813
Cash and cash equivalents at end of year	$ 8,397,601	$ 7,248,901
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	$ 3,641,120	$ 1,217,657
Cash and cash equivalents in designated and restricted assets	4,756,481	6,031,244
Total cash and cash equivalents	$ 8,397,601	$ 7,248,901

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Cash Flows - Continued
Year ended June 30,

	2009	2008
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$(988,379)	$(645,411)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	2,114,013	2,265,003
Amortization	16,249	19,659
Changes in assets and liabilities		
Accounts receivable	(173,985)	(700,791)
Inventory	68,127	(7,626)
Prepaid expense	(23,743)	(22,581)
Accounts payable, trade	17,853	57,972
Accrued employee compensation	254,349	177,666
Accrued payroll taxes and withholding	(51,288)	29,305
Accrued health insurance claims	27,000	13,000
Estimated third-party payor settlements	386,000	130,000
Total adjustments	2,634,575	1,961,607
Net cash provided by operating activities	$ 1,646,196	$ 1,316,196

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 critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified two component units for 2009 and 2008: Mahaska Health Partnership Foundation and Mahaska Health Partnership Hospice Foundation (the Foundations). Substantially all of the economic resources of the Foundations are designated for the direct benefit of the Hospital. Accordingly, the assets, liabilities, and activities of the Foundations have been consolidated with those of the Hospital in these financial statements. The Foundations are not-for-profit corporations exempt from income tax under Section 501 of the Internal Revenue Code.

2. Enterprise Fund Accounting

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

3. Use of Estimates

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

4. Cash and Cash Equivalents

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

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

5. Inventory Valuation

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

6. Investments

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

7. Capital Assets

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

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized in 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 420 hours. Any excess over 420 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. *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 Hospital's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2007. 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	$ 1,001,726	$ 991,917
Capital acquisitions	1,010,016	96,392
Hospice	494,420	401,226
	$ 2,506,162	$ 1,489,535

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

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

Restricted nonexpendable net assets as of June 30, 2009 and 2008 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	2009	2008
Purchase of capital assets	$ 6,000	$ 6,000

NOTE D - DESIGNATED NET ASSETS

Of the $14,314,699 ($13,268,254 as of June 30, 2008) of unrestricted net assets as of June 30, 2009, $6,102,571 ($6,957,741 for 2008) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule.

NOTE D - DESIGNATED NET ASSETS - Continued

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

	2009	2008
Operations	$ 3,996,698	$ 4,206,719
Capital acquisitions	1,408,873	2,601,049
Employee health insurance	697,000	149,973
	$ 6,102,571	$ 6,957,741

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.

The composition of designated and restricted assets is as follows:

	2009	2008
Internally Designated Assets:		
Cash and cash equivalents	$ 4,517,459	$ 5,931,001
Certificates of deposit	1,565,141	1,013,611
Interest receivable	19,971	13,129
	$ 6,102,571	$ 6,957,741
Restricted Assets:		
Cash and cash equivalents	$ 239,022	$ 100,243
Certificates of deposit	2,103,808	1,178,561
U.S. treasury obligations	6,000	6,000
Interest receivable	1,726	9,201
Equity securities	161,606	201,530
	$ 2,512,162	$ 1,495,535

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

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	$ 2,082,966	$ 1,766,262
Medicare	2,838,104	2,573,845
Medicaid	608,488	436,671
Blue Cross	1,487,359	1,450,080
Other commercial insurance carriers	744,327	1,128,621
Others	93,143	225,540
	7,854,387	7,581,019
Less allowances for doubtful accounts and contractual adjustments	2,475,808	2,378,324
	$ 5,378,579	$ 5,202,695

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	$ 878,582	$ --	$ --	$ 878,582
Buildings	26,617,261	635,067	--	27,252,328
Major Movable Equipment	14,485,108	557,109	32,163	15,010,054
Clinic Equipment	21,895	--	--	21,895
	42,002,846	1,192,176	32,163	43,162,859
Depreciation				
Land Improvements	555,245	51,844	--	607,089
Buildings	10,629,306	993,025	--	11,622,331
Major Movable Equipment	11,311,123	1,069,144	32,163	12,348,104
Clinic Equipment	21,895	--	--	21,895
Total Depreciation	22,517,569	2,114,013	32,163	24,599,419
Depreciable Capital Assets, Net	$ 19,485,277	$(921,837)	$ --	$ 18,563,440
Construction in Progress	$ 187,358	$ 879,448	$ 271,391	$ 795,415
Land	313,476	--	--	313,476
Total Non-depreciable Capital Assets	$ 500,834	$ 879,448	$ 271,391	$ 1,108,891

NOTE G - CAPITAL ASSETS - Continued

Cost	Balance 2007	Additions	Disposals	Balance 2008
Land Improvements	$ 878,582	$ --	$ --	$ 878,582
Buildings	26,438,841	178,420	--	26,617,261
Major Movable Equipment	13,386,046	1,099,435	(373)	14,485,108
Clinic Equipment	21,895	--	--	21,895
	40,725,364	1,277,855	(373)	42,002,846
Depreciation				
Land Improvements	503,273	51,972	--	555,245
Buildings	9,600,238	1,029,068	--	10,629,306
Major Movable Equipment	10,127,497	1,183,963	(337)	11,311,123
Clinic Equipment	21,895	--	--	21,895
Total Depreciation	20,252,903	2,265,003	(337)	22,517,569
Depreciable Capital Assets, Net	$ 20,472,461	$(987,148)	$(36)	$ 19,485,277
Construction in Progress	$ 150,925	$ 132,397	$(95,964)	$ 187,358
Land	313,476	--	--	313,476
Total Non-depreciable Capital Assets	$ 464,401	$ 132,397	$(95,964)	$ 500,834

NOTE H - LONG-TERM DEBT

A schedule of changes in the Hospital's long-term debt for the years ended June 30, 2009 and 2008 follows:

	Balance 2008	Additions	Reductions	Balance 2009	Current Portion
Long-Term Debt:					
Series 2001 bonds	$ 7,470,000	$ --	$ 275,000	$ 7,195,000	$ 825,000
Note payable, bank(1)	377,213	--	377,213	--	--
Note payable, bank(2)	71,246	--	33,074	38,172	35,133
Refunding costs	(137,540)	--	(33,684)	(103,856)	(33,683)
Total Long-Term Debt	$ 7,780,919	$ --	$ 651,603	$ 7,129,316	$ 826,450

NOTE H - LONG-TERM DEBT - Continued

	Balance 2007	Additions	Reductions	Balance 2008	Current Portion
Long-Term Debt:					
Series 2001 bonds	$ 7,735,000	$ --	$ 265,000	$ 7,470,000	$ 275,000
Series 2003 notes	515,000	--	515,000	--	--
Note payable, bank(1)	861,161	--	483,948	377,213	377,213
Note payable, bank(2)	102,325	--	31,079	71,246	33,065
Refunding costs	(186,746)	--	(49,206)	(137,540)	(33,684)
Total Long-Term Debt	$ 9,026,740	$ --	$1,245,821	$ 7,780,919	$ 651,594

Series 2001 Bonds
The bonds are in the name of the County of Mahaska, Iowa through Bankers' Trust, Des Moines office to early refund previously issued Series 1997 bonds, and finance a portion of the costs of a medical office building. However, the Hospital is responsible for all loan principal and interest payments, therefore, the bonds have been recorded as a liability of the Hospital. Under terms of the Series 2001 bonds, combined principal and interest payments of approximately $1,042,000-$1,177,000 annually are due in two installments with an interest rate of 3.50%-5.10% (interest only in February and interest and principal due in August). The final payment is due in August, 2016. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the bonds.

Note Payable Bank (1)
The note was in the name of the Mahaska Health Partnership through Midwest One Bank, Oskaloosa, Iowa office for the purchase of equipment. Under terms of the note, principal and interest payments of $42,646 monthly were due with an interest rate of 4.25%. The final payment was due in March, 2009. The Hospital had pledged all of its future revenues (net of certain expenses) to repay the note.

Note Payable, Bank (2)
The note is in the name of the Mahaska Health Partnership through Midwest One Bank, Oskaloosa, Iowa office for the purchase of equipment. Under terms of the note, principal and interest payments of $3,041 monthly are due with an interest rate of 6.0%. The final payment is due in July, 2010. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the note.

The annual debt service on the bonds and notes is expected to require less than 25% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately $1,072,000 and $4,805,000, respectively.

NOTE H - LONG-TERM DEBT - Continued

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

Year Ending June 30,	Long-Term Debt		
	Principal	Interest	Total
2010	$ 860,133	$ 351,887	$ 1,212,020
2011	868,039	310,400	1,178,439
2012	910,000	267,330	1,177,330
2013	850,000	223,785	1,073,785
2014	860,000	180,605	1,040,605
2015-2017	2,885,000	243,787	3,128,787
	$ 7,233,172	$ 1,577,794	$ 8,810,966

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

NOTE I - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 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 rates are slightly higher when employees are performing emergency response services. 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 $950,000, $824,000, and $746,000, respectively, equal to the required contributions for each year.

NOTE J - DEFERRED COMPENSATION PLAN

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

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

The market value of the exclusive benefit plan assets at June 30, 2009 was $323,961 ($433,394 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 K - COMMITMENTS AND CONTINGENCIES

Notes Receivable

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

Risk Management

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

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress
Construction in progress at June 30, 2009 of $795,415 consists of costs of various capital projects, primarily related to construction of a Hospice House and construction and renovation of the existing facility. The estimated cost of the Hospice House is $3.5 million, which will be financed through donations and the use of internally generated funds. The construction and renovation of the existing facility is in the planning stages. No construction commitments have been made on this project. The Hospital anticipates financing the construction and renovation project with internally generated funds and issuance of debt.

Self-Funded Health Insurance
The Hospital has established a self-insured employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2009, the Hospital has accumulated funds in excess of actual claims paid of $697,000 ($149,973 at June 30, 2008). These funds, shown under internally designated assets are to be used to pay claims as they are filed in the future. The estimated amount of unpaid claims at June 30, 2009 is $210,000 ($183,000 at June 30, 2008), which is reported under current liabilities.

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.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

MAHASKA HEALTH PARTNERSHIP
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 the required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustment results from accounting for interest, capital purchases, depreciation, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	$ 1,912,020	$ --	$ 1,912,020
Other revenues	30,616,132	1,016,627	31,632,759
	32,528,152	1,016,627	33,544,779
Expenses	31,276,470	--	31,276,470
Net	1,251,682	1,016,627	2,268,309
Balance beginning of year	25,335,906	1,495,535	26,831,441
Balance end of year	$ 26,587,588	$ 2,512,162	$ 29,099,750

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	$ 1,912,020	$ --	$ 1,912,020	$ 1,776,735
Other revenues	31,632,759	(593,576)	31,039,183	31,896,400
	33,544,779	(593,576)	32,951,203	33,673,135
Expenses	31,276,470	46,827	31,323,297	35,204,819
Net	2,268,309	(640,403)	1,627,906	(1,531,684)
Balance beginning of year	26,831,441	1,636,465	28,467,906	28,467,906
Balance end of year	$ 29,099,750	$ 996,062	$ 30,095,812	$ 26,936,222

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

MAHASKA HEALTH PARTNERSHIP
Consolidating Balance Sheets
June 30, 2009

ASSETS

	Hospital	Foundations	Total
Current Assets:			
Cash	$ 3,641,120	$ --	$ 3,641,120
Patient receivables, net	5,378,579	--	5,378,579
Other receivables	48,685	--	48,685
Inventory	1,250,581	--	1,250,581
Prepaid expense	203,179	--	203,179
Succeeding year property tax receivable	1,780,000	--	1,780,000
Internally designated assets	1,236,403	--	1,236,403
Total current assets	13,538,547	--	13,538,547
Designated and Restricted Assets:			
Internally designated assets	6,102,571	--	6,102,571
Restricted assets	1,007,726	1,504,436	2,512,162
Current portion	(1,236,403)	--	(1,236,403)
	5,873,894	1,504,436	7,378,330
Depreciable Capital Assets, Net	18,563,440	--	18,563,440
Non-depreciable Capital Assets	1,108,891	--	1,108,891
Notes Receivable	13,334	--	13,334
Debt Issue Costs	250,736	--	250,736
Other	18,556	--	18,556
Total assets	$ 39,367,398	$ 1,504,436	$ 40,871,834

See Independent Auditor's Report.

LIABILITIES AND NET ASSETS

	Hospital	Foundations	Total
Current Liabilities:			
Current maturities of long-term debt	$ 826,450	$ --	$ 826,450
Accounts payable	749,630	--	749,630
Accrued employee compensation	1,357,129	--	1,357,129
Accrued payroll taxes and withholding	27,780	--	27,780
Accrued health insurance claims	210,000	--	210,000
Accrued interest payable	154,229	--	154,229
Estimated third-party payor settlements	364,000	--	364,000
Deferred revenue for succeeding year property tax receivable	1,780,000	--	1,780,000
Total current liabilities	5,469,218	--	5,469,218
Long-Term Debt:			
Revenue bonds and notes payable, less unamortized refunding costs, and current maturities	6,302,866	--	6,302,866
Total liabilities	11,772,084	--	11,772,084
Net Assets:			
Invested in capital assets, net of related debt	12,272,889	--	12,272,889
Restricted	1,007,726	1,504,436	2,512,162
Unrestricted	14,314,699	--	14,314,699
Total net assets	27,595,314	1,504,436	29,099,750
Total liabilities and net assets	$ 39,367,398	$ 1,504,436	$ 40,871,834

MAHASKA HEALTH PARTNERSHIP
Consolidating Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2009

	Hospital	Foundations	Total
Revenue:			
Net patient service revenue	$ 30,032,066	$ --	$ 30,032,066
Other revenue	256,025	--	256,025
Total revenue	30,288,091	--	30,288,091
Expenses:			
Nursing service	7,531,358	--	7,531,358
Other professional service	13,382,067	--	13,382,067
General service	2,727,136	--	2,727,136
Fiscal and administrative service	5,512,313	--	5,512,313
Provision for depreciation	2,114,013	--	2,114,013
Amortization	9,583	--	9,583
Total expenses	31,276,470	--	31,276,470
Operating Loss	(988,379)	--	(988,379)
Non-Operating Revenue (Expenses):			
County taxes	1,912,020	--	1,912,020
County subsidy - New Directions	233,956	--	233,956
Investment income (loss)	166,445	(26,437)	140,008
Noncapital grants and contributions	76,948	--	76,948
Rental income	272,543	--	272,543
Interest expense	(413,242)	--	(413,242)
Gain on disposal of assets	1,200	--	1,200
Non-operating revenue, net	2,249,870	(26,437)	2,223,433
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,261,491	(26,437)	1,235,054
Capital Grants and Contributions	--	1,033,255	1,033,255
Excess of Revenues Over Expenses and Increase in Net Assets	1,261,491	1,006,818	2,268,309
Net Assets Beginning of Year	26,333,823	497,618	26,831,441
Net Assets End of Year	$ 27,595,314	$ 1,504,436	$ 29,099,750

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2009 Amount	2009 Percent to Total	2008 Amount	2008 Percent to Total
Hospital				
0 - 30	$ 3,590,915	45.7%	$ 3,326,848	43.9%
31 - 60	1,247,747	15.9	1,499,060	19.8
61 - 90	537,001	6.9	407,319	5.4
91 - 180	639,119	8.1	653,020	8.6
Over 181	708,477	9.0	758,929	10.0
	6,723,259	85.6	6,645,176	87.7
Community Health and Hospice	281,804	3.6	245,416	3.2
Physician clinic	849,324	10.8	690,427	9.1
	7,854,387	100.0%	7,581,019	100.0%
Less:				
Allowance for doubtful accounts	597,808		621,324	
Allowance for contractual adjustments	1,878,000		1,757,000	
	$ 5,378,579		$ 5,202,695	

Allowance for Doubtful Accounts:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Balance, beginning	$ 621,324	$ 579,729
Provision for bad debts	1,513,278	1,597,874
Recoveries of accounts previously written off	7,203	139,459
	2,141,805	2,317,062
Accounts written off	1,543,997	1,695,738
Balance, ending	$ 597,808	$ 621,324

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Inventory/Prepaid Expense
June 30,

	2009	2008
Inventory		
Store room	$ 98,402	$ 124,798
Dietary	10,829	11,815
Pharmacy	163,532	170,197
Laboratory	78,474	79,580
Operating room	893,061	927,148
Radiology	6,283	5,170
	$ 1,250,581	$ 1,318,708
Prepaid Expense		
Insurance	$ 41,151	$ 56,044
Dues and contracts	162,028	123,392
	$ 203,179	$ 179,436

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Patient Service Revenue
Year ended June 30,

	2009	
	Inpatient	Outpatient
Daily Patient Services:		
Medical and surgical	$ 2,901,714	$ 782,991
Coronary care	159,530	--
Nursery	325,124	--
Obstetrics	461,362	35,212
Swing bed	--	--
Vision Quest	2,081,862	--
	5,929,592	818,203
Other Nursing Services:		
Operating and recovery rooms	888,156	3,917,661
Delivery and labor rooms	433,383	104,897
Central services and supply	1,224,849	888,186
Wound/ostomy care	--	41,024
Emergency services	100,437	2,614,118
Cardiac rehabilitation and stress test	--	344,466
	2,646,825	7,910,352
Other Professional Services:		
Emergency room physicians	38,986	1,858,980
Laboratory	771,454	2,284,743
Electrocardiology	--	21,049
Electroencephalography	3,068	19,632
Radiology	120,798	1,558,551
Ultrasound	37,306	477,259
Nuclear scanning	4,209	83,268
MRI scanning	91,706	1,643,551
CT scanning	328,807	2,740,108
Outsourced services	110,885	702,773
Pharmacy	1,756,971	2,124,385
Oncology	84	250,227
Anesthesiology	425,153	998,865
Respiratory therapy	924,104	667,503
Physical therapy	97,402	852,442
Occupational therapy	36,421	107,370
Speech therapy	4,033	16,212
Massage therapy	--	33,644
Ambulance	194,693	1,726,760
Community health	--	1,519,062
Hospice	--	920,035
Occupational health	--	185,462
New Directions	122,073	895,305
Physician clinic	--	3,148,814
	5,068,153	24,836,000
	$ 13,644,570	$ 33,564,555

See Independent Auditor's Report.

2009		2008
Swing Bed	Total	Total
$ --	$ 3,684,705	$ 3,563,707
--	159,530	213,554
--	325,124	302,784
--	496,574	445,711
803,591	803,591	800,966
--	2,081,862	1,698,239
803,591	7,551,386	7,024,961
14,807	4,820,624	4,825,692
--	538,280	493,030
13,721	2,126,756	1,987,803
8,440	49,464	87,274
--	2,714,555	2,619,312
--	344,466	334,201
36,968	10,594,145	10,347,312
--	1,897,966	1,613,960
81,406	3,137,603	2,863,020
--	21,049	15,796
--	22,700	25,123
15,934	1,695,283	1,473,240
5,207	519,772	499,120
--	87,477	82,739
3,504	1,738,761	1,895,895
--	3,068,915	2,908,621
15,902	829,560	873,273
342,605	4,223,961	3,958,323
--	250,311	260,010
5,167	1,429,185	1,174,938
308,411	1,900,018	1,712,971
143,513	1,093,357	1,045,669
70,282	214,073	299,884
2,191	22,436	63,765
--	33,644	27,349
19,135	1,940,588	1,806,530
--	1,519,062	1,467,862
--	920,035	739,089
--	185,462	165,193
--	1,017,378	965,216
--	3,148,814	1,955,201
1,013,257	30,917,410	27,892,787
$ 1,853,816	$ 49,062,941	$ 45,265,060

MAHASKA HEALTH PARTNERSHIP
Revenue and Related Adjustments
Year ended June 30,

	2009	2008
Net Patient Service Revenue		
Patient service revenue	$ 49,062,941	$ 45,265,060
Contractual adjustments	(17,517,597)	(15,554,546)
Provision for bad debts	(1,513,278)	(1,597,874)
	$ 30,032,066	$ 28,112,640
Other Revenue		
Cafeteria	$ 115,525	$ 101,876
Catering	53,961	39,436
Medical record transcripts	120	321
Non-patient supplies	12	120
Outpatient clinics	65,744	59,760
Dietary services	19,071	10,750
Miscellaneous	1,592	4,607
	$ 256,025	$ 216,870

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Nursing Service Expenses
Year ended June 30,

	2009	2008
Administrative:		
Salaries and wages	$ 196,611	$ 136,948
Employee benefits	33,275	22,523
Supplies and other expense	20,776	14,461
	250,662	173,932
Medical and Surgical:		
Salaries and wages	1,986,273	1,935,285
Employee benefits	292,555	280,641
Supplies and other expense	180,819	201,738
	2,459,647	2,417,664
Obstetrics:		
Salaries and wages	332,568	290,489
Employee benefits	46,946	44,009
Supplies and other expense	54,351	59,202
	433,865	393,700
Nursery:		
Salaries and wages	121,787	125,593
Employee benefits	17,400	15,967
Supplies and other expense	7,616	8,288
	146,803	149,848
Vision Quest:		
Salaries and wages	749,129	675,359
Employee benefits	98,595	86,233
Purchased services	100,468	79,406
Supplies and other expense	50,752	25,565
	998,944	866,563
Operating and Recovery Rooms:		
Salaries and wages	699,206	706,490
Employee benefits	93,165	106,570
Supplies and other expense	285,914	384,497
	1,078,285	1,197,557
Delivery and Labor Rooms:		
Salaries and wages	136,389	125,630
Employee benefits	21,204	18,780
Supplies and other expense	481	2,504
	158,074	146,914

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MAHASKA HEALTH PARTNERSHIP
Nursing Service Expenses - Continued
Year ended June 30,

	2009	2008
Central Services and Supply:		
Supplies and other expense	$ 718,275	$ 468,879
Wound/Ostomy Care:		
Salaries and wages	24,332	22,033
Employee benefits	4,172	3,966
Supplies and other expense	9,246	13,182
	37,750	39,181
Emergency Services:		
Salaries and wages	867,828	808,336
Employee benefits	133,588	114,367
Supplies and other expense	125,106	106,415
	1,126,522	1,029,118
Cardiac Rehabilitation:		
Salaries and wages	46,864	42,132
Employee benefits	6,920	5,342
Supplies and other expense	68,747	38,006
	122,531	85,480
	$ 7,531,358	$ 6,968,836

SUMMARY

Salaries and wages	$ 5,160,987	$ 4,868,295
Employee benefits	747,820	698,398
Supplies and other expense	1,622,551	1,402,143
	$ 7,531,358	$ 6,968,836

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses
Year ended June 30,

	2009	2008
Emergency Room Physicians:		
Salaries and wages	$ 904,691	$ 902,829
Employee benefits	91,102	90,396
Professional fees	45,189	13,705
Supplies and other expense	9,493	11,713
	1,050,475	1,018,643
Laboratory:		
Salaries and wages	378,373	347,910
Employee benefits	52,171	47,161
Purchased services	223,887	271,810
Supplies and other expense	337,213	351,828
	991,644	1,018,709
Electroencephalography and Electrocardiology:		
Salaries and wages	974	799
Employee benefits	71	59
Purchased services	3,168	2,304
	4,213	3,162
Oncology:		
Salaries and wages	84,737	84,775
Employee benefits	16,979	11,614
Supplies and other expense	16,557	14,214
	118,273	110,603
Radiology and Ultrasound:		
Salaries and wages	480,877	457,896
Employee benefits	69,073	64,736
Supplies and other expense	636,332	585,351
	1,186,282	1,107,983
Outsourced Services:		
Purchased services	257,835	264,548

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MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Pharmacy:		
Salaries and wages	$ 264,928	$ 269,372
Employee benefits	51,990	46,264
Drugs and other expense	974,433	885,631
	1,291,351	1,201,267
Anesthesiology:		
Salaries and wages	214,235	202,108
Employee benefits	23,478	20,991
Supplies and other expense	63,598	52,756
	301,311	275,855
Respiratory Therapy:		
Salaries and wages	329,447	345,027
Employee benefits	51,018	47,883
Professional fees	3,782	5,350
Supplies and other expense	59,098	70,724
	443,345	468,984
Physical Therapy:		
Professional fees	520,048	510,674
Supplies and other expense	19,615	19,629
	539,663	530,303
Speech Therapy:		
Salaries and wages	3,617	25,493
Employee benefits	--	1,372
Professional fees	2,849	3,109
Supplies and other expense	2,450	3,602
	8,916	33,576
Occupational Therapy:		
Professional fees	104,518	147,555
Supplies and other expense	3,212	4,957
	107,730	152,512
Ambulance:		
Salaries and wages	109,602	129,827
Employee benefits	13,121	12,145
Purchased services	23,950	1,098
Supplies and other expense	42,756	39,326
	189,429	182,396

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Community Health:		
Salaries and wages	$ 903,498	$ 909,185
Employee benefits	159,799	110,798
Purchased services	195,156	143,309
Supplies and other expense	120,445	119,498
	1,378,898	1,282,790
Hospice:		
Salaries and wages	562,844	471,991
Employee benefits	91,320	69,700
Supplies and other expense	184,853	143,981
	839,017	685,672
Medical Records:		
Salaries and wages	312,269	308,755
Employee benefits	42,774	41,804
Supplies and other expense	133,785	87,310
	488,828	437,869
Physician Clinic:		
Salaries and wages	2,275,491	1,793,462
Employee benefits	268,142	156,933
Supplies and other expense	268,629	219,081
	2,812,262	2,169,476
Outpatient Clinics:		
Salaries and wages	14,474	4,119
Employee benefits	1,023	315
Purchased services	--	1,159
Supplies and other expense	340	345
	15,837	5,938
Dietician Services:		
Salaries and wages	7,849	3,858
Employee benefits	2,225	527
Supplies and other expense	4,242	47,272
	14,316	51,657
New Directions:		
Salaries and wages	839,084	728,234
Employee benefits	121,817	85,217
Purchased services	25,899	40,544
Supplies and other expense	37,542	42,935
	1,024,342	896,930

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MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	2009	2008
Occupational Health:		
Salaries and wages	$ 93,064	$ 114,533
Employee benefits	17,897	19,571
Purchased services	4,046	2,469
Supplies and other expense	38,558	24,432
	153,565	161,005
Employee Health:		
Salaries and wages	65,487	42,485
Employee benefits	4,557	3,005
Supplies and other expense	8,132	9,461
	78,176	54,951
Mahaska Med Spa:		
Salaries and wages	28,431	30,868
Employee benefits	4,003	4,292
Supplies and other expense	10,317	46,262
	42,751	81,422
Massage Therapy:		
Salaries and wages	37,682	25,157
Employee benefits	5,539	2,696
Supplies and other expense	387	673
	43,608	28,526
	$ 13,382,067	$ 12,224,777

SUMMARY

Salaries and wages	$ 7,911,654	$ 7,198,683
Employee benefits	1,088,099	837,479
Professional fees	676,386	680,393
Supplies and other expense	3,705,928	3,508,222
	$ 13,382,067	$ 12,224,777

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
General Service Expenses
Year ended June 30,

	2009	2008
Dietary:		
Salaries and wages	$ 267,543	$ 234,206
Employee benefits	30,637	30,196
Food	204,803	166,868
Supplies and other expense	267,181	197,206
	770,164	628,476
Operation of Plant:		
Salaries and wages	217,721	199,531
Employee benefits	26,639	27,759
Utilities	517,762	484,425
Supplies and other expense	641,497	652,308
	1,403,619	1,364,023
Environmental Services:		
Salaries and wages	291,513	299,595
Employee benefits	35,018	38,227
Supplies and other expense	60,408	48,221
	386,939	386,043
Laundry and Linen:		
Salaries and wages	121,227	117,779
Employee benefits	18,611	17,172
Supplies and other expense	26,576	33,761
	166,414	168,712
	$ 2,727,136	$ 2,547,254

SUMMARY

Salaries and wages	$ 898,004	$ 851,111
Employee benefits	110,905	113,354
Supplies and other expense	1,718,227	1,582,789
	$ 2,727,136	$ 2,547,254

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Fiscal and Administrative Service Expenses
Year ended June 30,

	2009	2008
Administrative:		
Salaries and wages	$ 983,680	$ 935,253
Employee benefits	128,251	119,905
Professional fees	139,911	81,490
Supplies and other expense	347,046	356,415
Purchased services	159,965	77,860
Travel and education	13,652	23,505
Telephone	1,625	2,250
Equipment rent	32,265	--
Dues, subscriptions and licenses	56,239	60,856
Collection fees	92,197	108,636
	1,954,831	1,766,170
Information Systems:		
Salaries and wages	259,277	190,936
Employee benefits	41,511	17,219
Purchased services	107,290	116,977
Supplies and other expense	98,137	78,374
	506,215	403,506
Purchasing:		
Salaries and wages	130,908	118,738
Employee benefits	19,327	18,043
Supplies and other expense	23,435	17,292
	173,670	154,073
Public Relations:		
Salaries and wages	133,734	97,253
Employee benefits	21,357	13,356
Supplies and other expense	104,625	86,996
	259,716	197,605
Human Resources:		
Salaries and wages	155,722	160,770
Employee benefits	23,960	25,908
Purchased services	11,160	5,105
Supplies and other expense	29,479	40,128
	220,321	231,911

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	2009	2008
Quality Management:		
Salaries and wages	$ 80,404	$ 67,489
Employee benefits	12,101	10,854
Supplies and other expense	2,702	7,885
	95,207	86,228
Support Services:		
Salaries and wages	100,464	104,171
Employee benefits	15,131	15,390
Supplies and other expense	2,274	4,338
	117,869	123,899
Employee Welfare:		
Unemployment tax	16,185	34,727
Group health and life insurance	1,690,271	1,499,313
Workers' compensation insurance	179,738	165,764
	1,886,194	1,699,804
Insurance:		
Insurance and bonding expense	298,290	287,336
Foundations:		
Supplies and other expense	--	610
	$ 5,512,313	$ 4,951,142

SUMMARY

Salaries and wages	$ 1,844,189	$ 1,674,610
Employee benefits	2,147,832	1,920,479
Professional fees	139,911	81,490
Supplies and other expense	1,380,381	1,274,563
	$ 5,512,313	$ 4,951,142

SUMMARY OF EXPENSES

Salaries and wages	$ 15,814,834	$ 14,592,699
Employee benefits	4,094,656	3,569,710
Professional fees	816,297	761,883
Supplies and other expense	8,427,087	7,767,717
	$ 29,152,874	$ 26,692,009

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Comparative Statistics
Year ended June 30,

	2009	2008	2007	2006	2005
Acute Care:					
Admissions	1,365	1,321	1,260	1,273	1,417
Discharges	1,368	1,324	1,260	1,271	1,421
Patient days	4,020	3,906	4,012	3,847	4,589
Average length of stay	2.94	2.95	3.18	3.03	3.23
Average occupied beds	11.0	10.7	11.0	10.5	12.6
Vision Quest:					
Admissions	141	128	129	164	143
Discharges	137	132	129	163	142
Patient days	1,917	1,642	1,849	1,834	1,436
Average length of stay	13.99	12.44	14.33	11.25	10.11
Average occupied beds	5.3	4.5	5.1	5.0	3.9
Swing Bed:					
Admissions	269	238	205	241	321
Discharges	265	238	208	244	318
SNF days	1,627	1,699	1,399	1,375	2,065
ICF days	1	6	7	4	50
Combined Average Occupied Beds	20.7	19.8	19.9	19.3	22.3
Nursery Days	509	499	524	495	505
Home Health Visits	16,271	17,985	20,390	19,783	20,326
Outpatient Occasions of Service	99,016	92,740	89,780	90,368	89,488

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Comparative Balance Sheets
June 30,

	2009	2008
Current Assets:		
Cash	$ 3,641,120	$ 1,217,657
Receivables, net	5,427,264	5,253,279
Inventory	1,250,581	1,318,708
Prepaid expense	203,179	179,436
Estimated third-party payor settlements	--	22,000
Succeeding year property tax receivable	1,780,000	1,780,000
Internally designated assets	1,236,403	948,886
Total current assets	13,538,547	10,719,966
Other Assets:		
Designated and restricted assets, net	7,378,330	7,504,390
Capital assets, net	19,672,331	19,986,111
Other assets	282,626	386,877
Total other assets	27,333,287	27,877,378
	$ 40,871,834	$ 38,597,344
Current Liabilities:		
Current maturities of long-term debt	$ 826,450	$ 651,594
Accounts payable	749,630	679,142
Accrued expenses	1,749,138	1,525,842
Estimated third-party payor settlements	364,000	--
Deferred revenue for succeeding year property tax receivable	1,780,000	1,780,000
Total current liabilities	5,469,218	4,636,578
Long-Term Debt, Net	6,302,866	7,129,325
Net Assets	29,099,750	26,831,441
	$ 40,871,834	$ 38,597,344

See Independent Auditor's Report.

2007	2006	2005
$ 4,137,686	$ 2,476,109	$ 1,783,416
4,552,488	4,516,224	5,061,201
1,311,082	937,770	878,658
156,855	129,047	126,380
152,000	88,000	17,000
1,800,000	1,750,000	1,675,000
1,591,679	1,453,501	1,429,321
13,701,790	11,350,651	10,970,976
2,588,019	2,590,723	2,276,622
20,936,862	22,469,617	23,289,497
66,642	87,384	214,099
23,591,523	25,147,724	25,780,218
$ 37,293,313	$ 36,498,375	$ 36,751,194
$ 1,228,096	$ 1,186,781	$ 1,121,507
654,029	704,343	634,006
1,313,936	1,264,523	1,659,740
--	--	--
1,800,000	1,750,000	1,675,000
4,996,061	4,905,647	5,090,253
7,520,416	8,746,717	9,801,879
24,776,836	22,846,011	21,859,062
$ 37,293,313	$ 36,498,375	$ 36,751,194

MAHASKA HEALTH PARTNERSHIP
Comparative Statements of Revenues and Expenses
Year ended June 30,

	2009	2008
Patient Service Revenue	$ 49,062,941	$ 45,265,060
Adjustments to Patient Service Revenue	(19,030,875)	(17,152,420)
Net Patient Service Revenue	30,032,066	28,112,640
Other Revenue	256,025	216,870
Total Revenue	30,288,091	28,329,510
Expenses	31,276,470	28,974,921
Operating Loss	(988,379)	(645,411)
Non-Operating Revenue, net	2,223,433	2,479,016
Capital Grants and Contributions	1,033,255	221,000
Excess of Revenues Over Expenses	$ 2,268,309	$ 2,054,605

See Independent Auditor's Report.

2007	2006	2005
$ 42,323,917	$ 39,812,657	$ 39,310,797
(15,371,770)	(15,502,758)	(15,966,812)
26,952,147	24,309,899	23,343,985
206,684	233,201	270,723
27,158,831	24,543,100	23,614,708
27,345,916	25,601,265	25,301,829
(187,085)	(1,058,165)	(1,687,121)
2,117,910	2,045,114	2,223,125
--	--	--
$ 1,930,825	$ 986,949	$ 536,004

COMMENTS AND RECOMMENDATIONS

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

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

To the Board of Trustees
Mahaska Health Partnership
Oskaloosa, Iowa

We have audited the financial statements of Mahaska Health Partnership as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 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 Mahaska Health Partnership'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 Mahaska Health Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

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

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

To the Board of Trustees
Mahaska Health Partnership

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska Health Partnership'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.

Mahaska Health Partnership'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 Mahaska Health Partnership and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Grassworth, Bell, Kyhn & Co. P.C.

Atlantic, Iowa
October 16, 2009

MAHASKA HEALTH PARTNERSHIP
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
Cassie Riley, Carter Entertainment Sodexho, Oskaloosa Chamber	Employee recognition banquet	$ 6,510

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.

* * *