CASS COUNTY MEMORIAL HOSPITAL

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2011 AND 2010

CASS COUNTY MEMORIAL HOSPITAL

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CASS COUNTY MEMORIAL HOSPITAL
Officials
June 30, 2011

Board of Trustees:	Address	Term Expires
Steve Sisler, Chairman	Anita, Iowa	2012
Phyllis Stakey, Vice-Chairman	Massena, Iowa	2016
Leanne Pellett, Secretary and Treasurer	Atlantic, Iowa	2014
John Molgaard	Atlantic, Iowa	2016
Lois Casey	Atlantic, Iowa	2012
Dawn Ridlen (resigned May, 2011)	Griswold, Iowa	
Jerry Putnam (appointed September, 2011)	Griswold, Iowa	2014
Ned Brown	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, 2011 and 2010, 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, 2011 and 2010, 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 12, 2011 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. 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 important for 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, 2009 (none of which are presented herein) and expressed qualified opinions on those financial statements. The supplementary 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.

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

Atlantic, Iowa
October 12, 2011

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, 2011, 2010, and 2009. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

The major difference in financial activity from FY 2011 and FY 2010 is the transition of Home Care and Hospice services from Cass County Memorial Hospital to Iowa Health Home Care. This transition took place November 1, 2010. The Hospital is a Critical Access Hospital and the Clinics are Provider Based Rural Health Clinics, thus the Hospital and the Rural Health Clinics receive "cost based" reimbursement from Medicare and Medicaid.

The Hospital in November paid off note Series 2006 for the 1995 addition and remodeling project and issued debt of $23.5 million for the 2010 addition and remodeling of new inpatient, emergency room, Rehab and surgical areas.

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 continued 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 (8%), Swing Beds (<1%), Psychiatric Services (4%), Outpatient Occasions of Service (1%) and Rural Health Clinic Visits (2%) compared to FY 2010. Increased utilization occurred in Nursery (19%). This is summarized in Table 1.

Table 1: Statistics

	2011	2010	2009
Acute Care:			
Discharges	611	673	1,015
Patient Days	1,807	1,958	2,716
Skilled Care:			
Discharges	209	244	352
Patient Days	1,633	1,639	2,318
Psychiatric Unit:			
Discharges	274	255	214
Patient Days	976	1,017	1,187
Nursery:			
Patient Days	297	249	329
Outpatient Occasions of Service	63,279	63,719	63,797
Rural Health Clinic Visits	38,672	39,384	43,584

BALANCE SHEET

Net assets increased 3% from $23,088,746 to $23,720,966. Total Current Assets increased 21% due to Cash increasing 100% and Net Patient Receivables decreasing 20%. 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 decreased 4%. Long term debt increased due to issuing $23.5 million in Revenue Bonds for the 2010 building addition and renovation project.

Table 2: Assets, Liabilities, Net Assets

	2011	2010	2009
Assets:			
Current assets	$ 15,674,283	$ 12,980,643	$ 13,468,138
Capital assets, net	13,400,851	9,313,124	9,189,413
Other noncurrent assets	23,994,467	7,078,018	6,231,516
Total assets	$ 53,069,601	$ 29,371,785	$ 28,889,067
Liabilities:			
Long-term debt outstanding	$ 23,819,026	$ 529,706	$ 451,632
Other current and noncurrent Liabilities	5,529,609	5,753,333	6,124,446
Total liabilities	$ 29,348,635	$ 6,283,039	$ 6,576,078
Net Assets:			
Invested in capital assets, net of Related debt	$ 7,921,152	$ 8,290,880	$ 8,169,986
Restricted	3,104,007	524,078	508,865
Unrestricted	12,695,807	14,273,788	13,634,138
Total net assets	$ 23,720,966	$ 23,088,746	$ 22,312,989

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS

Patient Service Revenue decreased less than 1% from last fiscal year. A decrease in revenue due to the transition of Home Care and Hospice was offset by increases in Obstetric and Surgical revenue.

Contractual adjustments to Patient Service Revenue increased 10% due to an increase in Wellmark, Rural Health Clinic, and Uncompensated Care adjustments. Adjustments for bad debt decreased 8% while uncompensated care increased 21%.

Expenses decreased 3% due to the Home Care and Hospice transition. Salary expense decreased 9%, Employee Benefits decreased 2%, Professional Fees increased 17%, Depreciation expense increased 4%, Supplies and other expense decreased 1%.

The Hospital had a net operating loss of $2,200,815 compared to a net operating loss of $1,174,537 in FY 2010. 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. Nonoperating revenue (which includes County tax support) increased by 47% due to the closing of two Retail Pharmacies and an increase in county tax revenue due to an increase in property valuation. The excess of revenue over expense decreased from a positive $775,757 to $632,220 (19%).

Table 3: Revenues, Expenses & Changes in Net Assets

	2011	2010	2009
Operating Revenues:			
Patient service revenue	$ 44,871,636	$ 44,929,206	$ 47,217,240
Adjustments to patient service revenue	(16,971,710)	(15,406,862)	(17,502,545)
Net patient service revenue	27,909,926	29,552,344	29,714,695
Other operating revenue	844,730	1,142,048	1,109,490
Total operating revenues	28,754,656	30,664,392	30,824,185
Operating Expenses:			
Salaries	14,009,973	15,358,592	15,299,695
Employee benefits	4,179,944	4,261,693	4,125,831
Professional fees	3,543,128	3,034,766	3,051,033
Supplies and other expense	7,617,056	7,654,377	7,763,515
Depreciation	1,594,741	1,528,312	1,458,592
Amortization	10,629	1,189	--
Total operating expenses	30,955,471	31,838,929	31,698,666
Operating loss	(2,200,815)	(1,174,537)	(874,481)
Nonoperating Revenue and Expense:			
Property taxes	1,956,971	1,775,414	1,697,529
Other Nonoperating revenue and Expense	876,064	174,880	449,265
Total Nonoperating revenue And expense	2,833,035	1,950,294	2,146,794
Excess of Revenues Over Expenses	632,220	775,757	1,272,313
Net Assets Beginning of Year	23,088,746	22,312,989	21,040,676
Net Assets End of Year	$ 23,720,966	$ 23,088,746	$ 22,312,989

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 received cash from patient and third party payors of $28,692,565 along with other revenue of $833,685. Cash paid out to suppliers was $15,301,570 and employees were $14,050,933. Net cash provided by operating activities was a positive $173,747 compared to $1,027,187 in FY 2010.

The net increase in cash and cash equivalents was $4,710,979 which included proceeds of the issuance of debt of $23,265,000 and expenditures for the construction and computer system projects.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2011 was prepared on a modified accrual basis. There was an amendment made to the county budget due to increased expenditures experienced in the construction project.

Patient Service Revenue was 6% below budget. Deductions from revenue were 1% below budget. Other Operating Revenue was 13% above budget, which made Total Operating Revenue 15% below budget. Total Operating expense was 1% below budget and Income from Operations was 108% below budget. The excess of revenue over expense was 90% below budget.

CAPITAL ASSETS

At the end of FY 2011, the Hospital had $13,400,581 invested in capital assets, net of accumulation depreciation. In FY 2011 the Hospital capital additions costing $6,369,111 included $1,108,934 for information system upgrades to meet meaningful use standards. The Hospital construction in progress was $3,935,502 for the addition and renovation project.

DEBT

The Hospital has five capital leases for the purchase of equipment. These leases carry interest rates of 1.45% to 8.78% and mature from September, 2011 to September, 2013.

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%. The final payment on this bond was due November, 2010.

The Hospital issued $6,780,000 of Hospital Revenue Bonds (Series 2010A) in December, 2010 to pay the cost of expansion and renovation of the Hospital. These bonds are payable from revenues of the Hospital and final payment is due June, 2035. Interest rate of 7.25% is due semi annually.

The Hospital issued $16,720,000 of Hospital Revenue Bonds (Series 2010B) in December, 2010 to pay the cost of expansion and renovation of the Hospital. These bonds are payable from revenues of the Hospital. The bonds mature in annual installments beginning in June, 2013 through June, 2026 and installments due June, 2028 and June, 2033, with an interest rate of 2.6% - 10.0%. The Hospital is eligible to receive a 45% subsidy of interest paid from the Federal Government each year for these bonds.

Under the terms of the Series 2010 bonds the Hospital is required to maintain certain deposits with a bank. The terms of the bonds also places limits on the incurrence of additional debt and requires the Hospital to satisfy certain measures of financial performance (Debt Service Ratio of 1.25 or greater and maintain greater than 60 days cash on hand) as long as the bonds are outstanding starting in 2013.

Total Long Term Debt and Capital Leases at the end of FY 2011 totaled $23,819,026.

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 5002

CASS COUNTY MEMORIAL HOSPITAL
Balance Sheets
June 30,

ASSETS

	2011	2010
Current Assets:		
Cash	$ 7,256,381	$ 3,636,087
Patient receivables, less allowances for doubtful accounts and contractual adjustments ($2,012,000 in 2011, $2,241,000 in 2010)	4,067,652	5,064,426
Other receivables	872,088	913,607
Inventory	520,233	572,468
Prepaid expense	521,870	449,963
Succeeding year property tax receivable	1,950,000	1,851,000
Internally designated assets	486,059	493,092
Total current assets	15,674,283	12,980,643
Designated and Restricted Assets:		
Internally designated assets	1,421,312	5,961,376
Restricted assets	21,653,606	524,078
	23,074,918	6,485,454
Less amounts required to meet current liabilities	486,059	493,092
	22,588,859	5,992,362
Capital Assets:		
Depreciable capital assets, net	7,932,546	8,359,360
Non-depreciable capital assets	5,468,305	953,764
	13,400,851	9,313,124
Investment in Cass County Medical Clinics, Inc.	338,817	424,340
Debt Issue Costs	418,514	554
Other Noncurrent Assets	648,277	660,762
Total assets	$ 53,069,601	$ 29,371,785

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities:		
Current maturities of long-term debt	$ 241,129	$ 460,393
Accounts payable	616,749	650,584
Accrued employee compensation	1,540,609	1,581,569
Payroll taxes withheld and accrued	364,395	374,174
Accrued interest payable	142,727	613
Other current liabilities	225,000	175,000
Estimated third-party payor settlements	449,000	660,000
Deferred revenue for succeeding year property tax receivable	1,950,000	1,851,000
Total current liabilities	5,529,609	5,753,333
Long-Term Debt:		
Capital lease obligations, less current maturities	319,026	529,706
Note and bonds payable, less unamortized refunding costs and current maturities	23,500,000	--
Total long-term debt	23,819,026	529,706
Total liabilities	29,348,635	6,283,039
Net Assets:		
Invested in capital assets, net of related debt	7,921,152	8,290,880
Restricted - expendable	3,104,007	524,078
Unrestricted	12,695,807	14,273,788
	23,720,966	23,088,746
Total liabilities and net assets	$ 53,069,601	$ 29,371,785

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

	2011	2010
Revenues:		
Net patient service revenue	$ 27,909,926	$ 29,522,344
Other revenue	844,730	1,142,048
Total revenue	28,754,656	30,664,392
Expenses:		
Nursing service	5,976,818	5,909,147
Other professional service	12,993,799	14,107,388
General service	2,302,518	2,284,389
Fiscal and administrative service	8,076,966	8,008,504
Provision for depreciation	1,594,741	1,528,312
Amortization	10,629	1,189
Total expenses	30,955,471	31,838,929
Operating Loss	(2,200,815)	(1,174,537)
Non-Operating Revenues (Expenses):		
County taxes	1,956,971	1,775,414
Home health care county revenue	32,667	93,600
Investment income	297,274	207,922
Federal interest subsidy	296,904	--
Noncapital contributions	--	305
Medical office building rent, net	65,269	55,772
Southwest Iowa Mental Health Center services, net	(28,887)	(12,901)
Retail pharmacy loss, net	(11,725)	(158,648)
Other rental income, net	167,470	1,550
Interest expense	(61,536)	(89,128)
Gain (loss) on disposal of assets	31,720	(8,506)
Non-operating revenue, net	2,746,127	1,865,380
Excess of Revenues Over Expenses Before Capital Grants and Contributions	545,312	690,843
Capital Grants and Contributions	86,908	84,914
Excess of Revenues Over Expenses and Increase in Net Assets	632,220	775,757
Net Assets Beginning of Year	23,088,746	22,312,989
Net Assets End of Year	$ 23,720,966	$ 23,088,746

The accompanying notes are an integral part of these statements.

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

	2011	2010
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 28,692,565	$ 29,848,693
Cash paid to suppliers	(15,301,570)	(14,492,979)
Cash paid to employees	(14,050,933)	(15,461,775)
Other revenue	833,685	1,133,248
Net cash provided by operating activities	173,747	1,027,187
Cash flows from noncapital financing activities:		
County tax revenue	1,989,638	1,869,014
Noncapital contributions	--	305
Net cash provided by noncapital financing activities	1,989,638	1,869,319
Cash flows from capital and related financing activities:		
Capital expenditures	(3,506,948)	(799,611)
Computer system expenditures	(1,108,934)	(341,984)
Capital grants and contributions	86,908	84,914
Proceeds from disposal of assets	31,720	250
Proceeds from issuance of debt	23,265,000	--
Principal paid on long-term debt	(486,786)	(647,950)
Debt issue costs incurred	(193,589)	--
Interest paid	(839,019)	(74,618)
Federal interest subsidy received	296,904	--
Net cash provided by (used in) capital and related financing activities	17,545,256	(1,778,999)
Cash flows from investing activities:		
Investment income	432,881	218,323
Investment in Cass County Medical Clinics, Inc.	(94,477)	(188,862)
Increase in designated and restricted assets	(15,623,341)	(89,099)
Rental income, net	291,088	117,114
Southwest Iowa Mental Health Center services, net	15,767	19,365
Retail pharmacy loss, net	(11,725)	(158,648)
Change in other noncurrent assets	(7,855)	(61,171)
Net cash used in investing activities	(14,997,662)	(142,978)
Net increase in cash and cash equivalents	4,710,979	974,529
Cash and cash equivalents at beginning of year	6,163,257	5,188,728
Cash and cash equivalents at end of year	$ 10,874,236	$ 6,163,257

(continued next page)

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

	2011	2010
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	$ 7,256,381	$ 3,636,087
Cash and cash equivalents in designated and restricted assets	3,617,855	2,527,170
	$ 10,874,236	$ 6,163,257
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$(2,200,815)	$(1,174,537)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	1,594,741	1,528,312
Amortization	30,969	21,529
Write-off CCMC investment	180,000	200,000
Expense computer system project	70,644	72,210
Component of operating revenue reclassified for purposes of reporting cash flows		
Interest income on operating funds	(11,045)	(8,800)
Change in assets and liabilities		
Accounts receivable	993,639	249,349
Inventory	52,235	110,503
Prepaid expense	(71,907)	104,406
Accounts payable, trade	(252,975)	(86,099)
Accrued employee compensation	(40,960)	(103,183)
Payroll taxes withheld and accrued	(9,779)	11,497
Estimated third-party payor settlements	(211,000)	77,000
Other current liabilities	50,000	25,000
Total adjustments	2,374,562	2,201,724
Net cash provided by operating activities	$ 173,747	$ 1,027,187

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:

	2011	2010
Book value of equipment traded	$ 9,015	$ 8,918
Equipment purchased through capital leases	$ 50,137	$ 632,456

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.

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. Interest cost of $926,302 was capitalized in 2011 ($ - 0 - in 2010).

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, 2009. The Medicaid cost reports have been audited through June 30, 2009. 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:

	2011	2010
Construction project	$ 18,549,599	$ --
Interest on Series 2010 Bonds	1,241,400	--
Principal on Series 2010 Bonds	1,862,607	524,078
	$ 21,653,606	$ 524,078

The Hospital has no restricted nonexpendable net assets or endowments at June 30, 2011 or 2010.

NOTE D - DESIGNATED NET ASSETS

Of the $12,695,807 ($14,273,788 as of June 30, 2010) of unrestricted net assets as of June 30, 2011, $1,421,312 ($5,961,376 for 2010) 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.

	2011	2010
Capital acquisitions and payment of long-term debt	$ 588,679	$ 5,961,376
Operations	832,633	--
	$ 1,421,312	$ 5,961,376

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2011 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:

	2011	2010
Internally Designated Assets:		
Cash and cash equivalents	$ 78,084	$ 2,505,157
Certificates of deposit	1,189,860	3,326,573
Donated stock	150,323	114,816
Interest receivable	3,045	14,830
	$ 1,421,312	$ 5,961,376
Restricted Assets:		
Cash and cash equivalents	$ 3,539,771	$ 22,013
Certificate of deposit	--	496,998
U.S. government securities	17,949,827	--
Accrued interest	164,008	5,067
	$ 21,653,606	$ 524,078

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, 2011 and 2010, was as follows:

	2011	2010
Receivable from:		
Patients	$ 2,454,072	$ 1,868,219
Medicare	1,556,158	2,797,790
Medicaid	404,868	1,321,395
Blue Cross	689,922	545,864
Other commercial insurance carriers	858,315	656,837
Others	116,317	115,321
	6,079,652	7,305,426
Less allowances for doubtful accounts and contractual adjustments	2,012,000	2,241,000
	$ 4,067,652	$ 5,064,426

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2011 and 2010 were as follows:

Cost	Balance 2010	Additions	Disposals	Balance 2011
Land Improvements	$ 2,259,261	$ 14,170	$ --	$ 2,273,431
Buildings	7,172,536	--	--	7,172,536
Building Services Equipment	4,291,038	210,633	--	4,501,671
Medical Office Building	4,287,186	--	--	4,287,186
Fixed Equipment	2,665,814	--	45,209	2,620,605
Major Movable Equipment	11,653,331	1,010,284	411,250	12,252,365
Rural Health Clinic Equipment	423,884	--	--	423,884
	32,753,050	1,235,087	456,459	33,531,678
Depreciation				
Land Improvements	1,607,805	116,459	--	1,724,264
Buildings	4,810,866	236,213	--	5,047,079
Building Services Equipment	3,526,453	143,223	--	3,669,676
Medical Office Building	2,464,473	150,867	--	2,615,340
Fixed Equipment	2,396,441	74,833	42,196	2,429,078
Major Movable Equipment	9,186,806	923,085	405,248	9,704,643
Rural Health Clinic Equipment	400,846	8,206	--	409,052
Total Depreciation	24,393,690	1,652,886	447,444	25,599,132
Depreciable Capital Assets, Net	$ 8,359,360	$(417,799)	$ 9,015	$ 7,932,546
Construction in Progress	$ 182,859	$ 3,780,160	$ 27,517	$ 3,935,502
Computer System Projects	335,342	1,353,864	591,966	1,097,240
Land Held for Future Development	410,080	--	--	410,080
Land	25,483	--	--	25,483
Non-Depreciable Capital Assets	$ 953,764	$ 5,134,024	$ 619,483	$ 5,468,305

NOTE G - CAPITAL ASSETS - Continued

Cost	Balance 2009	Additions	Disposals	Balance 2010
Land Improvements	$ 2,107,014	$ 152,247	$ --	$ 2,259,261
Buildings	7,132,246	40,290	--	7,172,536
Building Services Equipment	4,336,990	2,695	48,647	4,291,038
Medical Office Building	4,287,186	--	--	4,287,186
Fixed Equipment	2,751,755	73,890	159,831	2,665,814
Major Movable Equipment	10,671,766	1,211,712	230,147	11,653,331
Rural Health Clinic Equipment	423,884	--	--	423,884
	31,710,841	1,480,834	438,625	32,753,050
Depreciation				
Land Improvements	1,493,594	114,211	--	1,607,805
Buildings	4,574,453	236,413	--	4,810,866
Building Services Equipment	3,429,548	136,633	39,728	3,526,453
Medical Office Building	2,312,535	151,938	--	2,464,473
Fixed Equipment	2,471,171	85,101	159,831	2,396,441
Major Movable Equipment	8,557,628	850,570	221,392	9,186,806
Rural Health Clinic Equipment	389,216	11,630	--	400,846
Total Depreciation	23,228,145	1,586,496	420,951	24,393,690
Depreciable Capital Assets, Net	$ 8,482,696	$(105,662)	$ 17,674	$ 8,359,360
Construction in Progress	$ 19,160	$ 163,699	$ --	$ 182,859
Computer System Projects	251,994	341,984	258,636	335,342
Land Held for Future Development	410,080	--	--	410,080
Land	25,483	--	--	25,483
Non-Depreciable Capital Assets	$ 706,717	$ 505,683	$ 258,636	$ 953,764

The Hospital rents a portion of the medical office building. Depreciation expense related to the rented space was $58,145 for the year ended June 30, 2011 ($58,184 for 2010).

NOTE H - LEASES

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

	2011	2010
Medical Equipment	$ 1,227,129	$ 1,723,326
Less: Accumulated Amortization	652,052	882,054
Net Book Value	$ 575,077	$ 841,272

NOTE I - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2011 and 2010 follows:

	Balance 2010	Additions	Reductions	Balance 2011	Current Portion
Long-Term Debt:					
Note payable, Series 2006	$ 159,795	$ --	$ 159,795	$ --	$ --
Bonds payable, Series 2010A	--	6,780,000	--	6,780,000	--
Bonds payable, Series 2010B	--	16,720,000	--	16,720,000	--
Less unamortized refunding costs	(6,705)	--	(6,705)	--	--
Total Long-Term Debt	153,090	23,500,000	153,090	23,500,000	--
Capital Lease Obligations	837,009	50,137	326,991	560,155	241,129
Total Non-Current Liabilities	$ 990,099	$ 23,550,137	$ 480,081	$ 24,060,155	$ 241,129

	Balance 2009	Additions	Reductions	Balance 2010	Current Portion
Long-Term Debt:					
Note payable	$ 502,936	$ --	$ 343,141	$ 159,795	$ 159,795
Less unamortized refunding costs	(22,797)	--	(16,092)	(6,705)	(6,705)
Total Long-Term Debt	480,139	--	327,049	153,090	153,090
Capital Lease Obligations	509,362	632,456	304,809	837,009	307,303
Total Non-Current Liabilities	$ 989,501	$ 632,456	$ 631,858	$ 990,099	$ 460,393

NOTE I - NON-CURRENT LIABILITIES - Continued

Note and Bonds 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 Hospital issued $6,780,000 of Hospital Revenue Bonds, Series 2010A in December, 2010, to pay for the costs of expansion and renovation of the Hospital. The bonds are payable from the revenues of the Hospital. A lump sum payment of $6,780,000 is due June 1, 2035. The interest rate is 7.25% and is due semi-annually.

The Hospital issued $16,720,000 of Hospital Revenue Bonds, Series 2010B in December, 2010, to pay for the costs of the expansion and renovation of the Hospital. The bonds are payable from the revenues of the Hospital. The bonds mature in annual installments beginning in June, 2013, through June, 2026, and installments due June, 2028 and June, 2033, with an interest rate of 2.6% - 10.0%. The Hospital is eligible to receive a 45% subsidy of interest paid from the Federal Government each year.

The annual debt service on the note and bonds is expected to require less than 42% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately $947,000 and $2,270,400 respectively. There are no principal payment requirements on the bonds until 2013.

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

Capital Leases

The Hospital has entered into five capital leases for the purchase of equipment. The leases carry interest rates of 1.45% to 8.78%. The leases mature from September, 2011 to September, 2013.

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
2012	$ --	$ 1,709,618	$ 241,129	$ 33,276	$ 241,129	$ 1,742,894
2013	670,000	1,709,618	152,900	17,131	822,900	1,726,749
2014	680,000	1,692,197	166,126	2,724	846,126	1,694,921
2015	695,000	1,670,438	--	--	695,000	1,670,438
2016	710,000	1,642,638	--	--	710,000	1,642,638
2017-2021	3,885,000	7,610,842	--	--	3,885,000	7,610,842
2022-2026	4,670,000	6,160,058	--	--	4,670,000	6,160,058
2027-2031	1,670,000	4,609,980	--	--	1,670,000	4,609,980
2032-2035	10,520,000	2,714,200	--	--	10,520,000	2,714,200
	$ 23,500,000	$ 29,519,589	$ 560,155	$ 53,131	$ 24,060,155	$ 29,572,720

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 4.50% (5.38% beginning July 1, 2011) of their annual salary and the Hospital is required to contribute 6.95% (8.07% beginning July 1, 2011) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were approximately $1,008,600, $1,058,300, and $1,015,000, 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 approximately $195,800 and $209,100 for the years ended June 30, 2011 and 2010, 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 contractors to administer the Plan. 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, 2011 was approximately $9,634,000 ($8,209,000 at June 30, 2010). 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 year ended June 30, 2011, the Hospital provided $50,000 ($50,000 in 2010) of operating capital. The Center had net loss in 2011 of $94,654 (net loss of $82,266 in 2010) without the Hospital's funding.

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

	2011	2010
Hospital expense to Mental Health Center for physicians	$ 262,198	$ 295,302
Support and net deficit funding from Hospital to Mental Health Center	$ 178,599	$ 153,274
Hospital revenue for Mental Health Center personnel costs and insurance	$ 956,235	$ 921,525
Owed to Hospital by the Mental Health Center	$ 580,750	$ 676,494

The financial arrangements for the 2011-2012 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately $340,200, which includes financial support and payment for physician services. The Center agreed to pay the Hospital approximately $889,400 for non-physician services. The Hospital has notified the Mental Health Center that it is considering closing its inpatient mental health unit. 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.

NOTE L - RELATED PARTIES - Continued

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

	2011	2010
Services purchased from HPSI	$ 107,365	$ 113,900
Services and supplies provided to HPSI	$ 143,685	$ 125,245
Amount due from HPSI	$ 84,711	$ 48,391
Member share of net assets	$ 387,037	$ 344,382

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, 2011, contributions received from this organization were approximately $42,000 ($54,000 for 2010).

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, 2011, the Hospital recorded an allowance of $180,000 against the advances ($200,000 for 2010). 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.

The Hospital contracts with the physicians of CCMC-Atlantic Medical Center for the operation of its four rural health clinics. 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.

NOTE M - CASS COUNTY MEDICAL CLINICS - Continued

Transactions between the Hospital and CCMC are listed below:

	2011	2010
CCMC purchases from Hospital		
Rent of medical office space	$ 65,274	$ 65,274
Medical services, insurance, and other expenses	104,556	75,687
Health insurance	188,986	149,469
	$ 358,816	$ 290,430
Hospital purchases from CCMC		
Physician services	$ 1,816,999	$ 1,792,875

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

	2011	2010
Purchases of physician practices	$ 84,944	$ 84,944
Advances of operating capital, and unpaid rent and insurance	253,873	339,396
	$ 338,817	$ 424,340

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, 2011 is $225,000 ($175,000 at June 30, 2010), which is reported in other current liabilities.

Construction in Progress
As of June 30, 2011, the Hospital incurred costs of $3,935,502 for the construction and renovations to the existing facility. The total estimated cost of the project is $24.5 million. Funds for this project are being obtained by the issuance of $23.5 million of debt and use of internally generated funds.

Computer System Project and Equipment
As of June 30, 2011, the Hospital incurred fees of $1,097,240 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 $439,000, which is being financed through the use of internally generated funds.

NOTE N - COMMITMENTS AND CONTINGENCIES - Continued

Notes Receivable
Reported as part of other noncurrent assets on the balance sheets are notes receivable with a balance of $36,000 as of June 30, 2011 ($88,800 as of June 30, 2010). 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.

Other Post Employment Benefits (OPEB)
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. There are 230 active employees and 7 retirees currently covered by the plan.

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.

Subsequent Events
The Hospital has evaluated all subsequent events through October 12, 2011, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2011

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, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	$ 1,989,638	$ --	$ 1,989,638
Other revenues	29,598,053	--	29,598,053
Transfers in (out)	(2,579,929)	2,579,929	--
	29,007,762	2,579,929	31,587,691
Expenses	30,955,471	--	30,955,471
Net	(1,947,709)	2,579,929	632,220
Balance beginning of year	22,564,668	524,078	23,088,746
Balance end of year	$ 20,616,959	$ 3,104,007	$ 23,720,966

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Amended Budget
Amount raised by taxation	$ 1,989,638	$(32,667)	$ 1,956,971	$ 1,851,010
Other revenues	29,598,053	104,832	29,702,885	35,503,619
	31,587,691	72,165	31,659,856	37,354,629
Expenses	30,955,471	5,471,622	36,427,093	39,073,600
Net	632,220	(5,399,457)	(4,767,237)	(1,718,971)
Balance beginning of year	23,088,746	(10,567,500)	12,521,246	12,521,246
Balance end of year	$ 23,720,966	$(15,966,957)	$ 7,754,009	$ 10,802,275

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

CASS COUNTY MEMORIAL HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

Days Since Discharge	2011 Amount	2011 Percent to Total	2010 Amount	2010 Percent to Total
0 - 30	$ 1,421,240	23.4%	$ 1,668,516	22.8%
31 - 60	599,385	9.9	824,092	11.3
61 - 90	293,879	4.8	489,226	6.7
91 - 120	314,963	5.2	347,904	4.8
121 and over	851,191	14.0	907,813	12.4
	3,480,658	57.3	4,237,551	58.0
In hospital	1,550,654	25.5	1,844,119	25.2
Total hospital	5,031,312	82.8	6,081,670	83.2
Rural Health Clinic	1,048,340	17.2	1,223,756	16.8
	6,079,652	100.0%	7,305,426	100.0%
Less:				
Allowance for doubtful accounts - hospital	453,000		480,000	
Allowance for doubtful accounts - RHC	354,000		354,000	
Allowance for contractual adjustments - hospital	1,205,000		1,407,000	
	$ 4,067,652		$ 5,064,426	

Hospital Allowance for Doubtful Accounts:

	Year ended June 30, 2011	2010
Balance, beginning	$ 480,000	$ 610,000
Provision for bad debts	2,319,716	2,519,116
Recoveries of accounts previously written off	428,834	437,183
	3,228,550	3,566,299
Accounts written off	2,775,550	3,086,299
Balance, ending	$ 453,000	$ 480,000

See Independent Auditor's Report.

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

	2011	2010
Other Receivables		
Shared services	$ 118,614	$ 105,534
Health Partners of Southwest Iowa	84,711	48,391
Lifeline	12,994	10,910
Southwest Iowa Mental Health Center	580,750	676,494
Other	75,019	72,278
	$ 872,088	$ 913,607
Inventory		
General stores	$ 50,009	$ 50,987
Pharmacy	348,749	387,748
Radiology	9,432	11,706
Laboratory	70,682	78,246
Rural Health Clinic	15,000	15,000
Dietary	6,649	7,054
Fuel oil	9,776	7,024
Information system	9,936	14,703
	$ 520,233	$ 572,468
Prepaid Expense		
Dues	$ 18,156	$ 17,358
Insurance	82,418	23,137
Maintenance agreements and other	421,296	409,468
	$ 521,870	$ 449,963

See Independent Auditor's Report.

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

	2011	2010
Daily Patient Services:		
Medical and surgical	$ 1,577,648	$ 1,537,409
Obstetric	229,818	195,268
Intensive care	766,188	780,925
Nursery	140,050	102,080
Psychiatric services	1,949,615	1,787,440
	4,663,319	4,403,122
Other Nursing Services:		
Operating room	2,458,710	2,015,437
Recovery room	324,900	275,591
Delivery and labor rooms	148,535	122,719
Central services and supply	2,471,043	2,255,401
Intravenous therapy	305,676	297,223
Emergency service	3,612,750	3,239,318
Oncology service	270,069	239,022
Enterstomal therapy	110,747	105,932
	9,702,430	8,550,643
Other Professional Services:		
Laboratory	6,233,638	6,407,152
Blood bank	88,651	136,476
Electrocardiology	188,328	185,820
Cardiac stress testing	111,174	116,280
Ambulatory electrocardiology	84,752	73,592
Radiology	2,095,502	2,052,115
CT scanning	3,055,309	3,296,307
MRI scanning	1,172,197	1,122,263
Nuclear medicine and ultrasound	1,318,824	1,332,188
Pharmacy	5,257,056	5,309,685
Anesthesia	1,168,035	939,357
Respiratory care	1,297,868	1,502,490
Physical therapy	1,098,138	941,350
Speech therapy	148,781	123,532
Occupational therapy	281,294	215,543
Home Health Care	613,398	1,831,696
Hospice	616,862	1,148,711
Cardiac rehabilitation	158,010	151,476
Diabetic center	59,294	49,208
Sleep study	176,294	196,240
Rural Health Clinics	5,282,482	4,843,960
	30,505,887	31,975,441
	$ 44,871,636	$ 44,929,206

(continued next page)

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

	2011	2010
SUMMARY		
Inpatient	$ 4,929,805	$ 5,231,939
Swing Bed	2,198,442	2,062,163
Psychiatric Services	2,267,199	2,106,327
Outpatient	28,963,448	27,704,410
Home Health Care	613,398	1,831,696
Hospice	616,862	1,148,711
Rural Health Clinics	5,282,482	4,843,960
	$ 44,871,636	$ 44,929,206

See Independent Auditor's Report.

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

	2011	2010
Net Patient Service Revenue:		
Patient service revenue	$ 44,871,636	$ 44,929,206
Contractual adjustments - hospital	(13,229,716)	(12,105,197)
Provision for bad debts - hospital	(2,319,716)	(2,519,116)
Provision for contractual adjustments and bad debts - RHC	(1,063,172)	(493,176)
Uncompensated care	(349,106)	(289,373)
	$ 27,909,926	$ 29,522,344
Other Revenue:		
Interest income on operating funds	$ 11,045	$ 8,800
Meals sold to employees and guests	196,173	183,790
Meals on wheels	52,570	54,106
Visiting physician clinic rent	209,252	228,670
Operating grants	222,303	529,271
Medical record transcripts	1,882	4,521
VHA participation	25,312	28,472
Biomedical service	30,809	30,076
Nursing education	2,975	3,712
Other	92,409	70,630
	$ 844,730	$ 1,142,048

See Independent Auditor's Report.

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

	2011	2010
Nursing Administration:		
Salaries and wages	$ 129,629	$ 123,275
Supplies and other expense	3,706	11,849
	133,335	135,124
In-Service Training:		
Salaries and wages	50,809	59,073
Supplies and other expense	31,427	24,232
	82,236	83,305
Quality Assurance:		
Salaries and wages	164,537	173,644
Supplies and other expense	14,415	7,856
	178,952	181,500
Nursing Supervision:		
Salaries and wages	263,827	260,497
Supplies and other expense	313	410
	264,140	260,907
Medical and Surgical:		
Salaries and wages	995,487	1,034,335
Supplies and other expense	55,415	60,701
	1,050,902	1,095,036
Psychiatric Services:		
Salaries and wages	840,054	916,576
Professional fees	262,198	297,084
Supplies and other expense	15,377	17,746
	1,117,629	1,231,406
Intensive Care:		
Salaries and wages	450,074	475,672
Supplies and other expense	11,639	9,594
	461,713	485,266
Obstetric:		
Salaries and wages	321,311	290,688
Supplies and other expense	18,137	11,334
	339,448	302,022
Nursery:		
Salaries and wages	148,420	131,911

(continued next page)

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

	2011	2010
Operating Room:		
Salaries and wages	$ 463,298	$ 467,301
Professional fees	8,810	13,968
Supplies and other expense	122,958	119,080
	595,066	600,349
Recovery Room:		
Salaries and wages	42,716	34,956
Delivery and Labor Rooms:		
Salaries and wages	65,075	57,929
Central Services and Supply:		
Salaries and wages	57,296	61,116
Supplies sold to patients	548,744	423,328
Supplies and other expense	4,940	3,476
	610,980	487,920
Intravenous Therapy:		
Solutions	9,791	9,203
Supplies and other expense	66,421	72,128
	76,212	81,331
Emergency Room:		
Salaries and wages	324,234	302,280
Supplies and other expense	31,453	28,518
	355,687	330,798
Outpatient Clinics:		
Salaries and wages	429,901	394,281
Supplies and other expense	24,406	15,106
	454,307	409,387
	$ 5,976,818	$ 5,909,147

See Independent Auditor's Report.

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

	2011	2010
Emergency Room Physicians:		
Salaries and wages	$ 297,869	$ 248,938
Professional fees	339,805	321,600
	637,674	570,538
Laboratory:		
Salaries and wages	768,100	748,222
Professional fees	342,321	325,552
Supplies and other expense	251,121	266,429
Cost of chemistry reagents	310,140	329,122
	1,671,682	1,669,325
Blood Bank:		
Cost of blood	123,473	164,934
Electrocardiology:		
Salaries and wages	8,859	8,460
Supplies and other expense	--	59
	8,859	8,519
Cardiac Stress Testing:		
Salaries and wages	4,712	5,411
Professional fees	756	756
Supplies and other expense	2,800	3,171
	8,268	9,338
Ambulatory Electrocardiology:		
Salaries and wages	7,085	6,547
Purchased services	8,200	5,390
Supplies and other expense	356	232
	15,641	12,169
Radiology:		
Salaries and wages	325,942	312,847
Professional fees	4,833	4,458
Cost of film	557	640
Supplies and other expense	180,709	152,294
	512,041	470,239
CT and MRI Scanning:		
Salaries and wages	89,037	103,013
Purchased services	151,901	140,463
Supplies and other expense	135,901	126,430
	376,839	369,906

(continued next page)

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

	2011	2010
Nuclear Medicine and Ultrasound:		
Salaries and wages	$ 87,782	$ 83,925
Purchased services	104,604	118,463
Supplies and other expense	19,770	18,990
	212,156	221,378
Pharmacy:		
Salaries and wages	522,796	548,326
Drugs	1,399,834	1,477,035
Supplies and other expense	57,899	63,368
	1,980,529	2,088,729
Anesthesia:		
Salaries and wages	99,637	438,905
Professional fees	515,113	22,832
Supplies and other expense	10,762	12,715
	625,512	474,452
Respiratory Care:		
Salaries and wages	206,891	197,901
Oxygen	18,575	16,303
Supplies and other expense	8,885	9,772
	234,351	223,976
Physical Therapy:		
Salaries and wages	317,802	305,434
Professional fees	9,609	--
Supplies and other expense	8,872	8,732
	336,283	314,166
Occupational Therapy:		
Salaries and wages	97,684	96,391
Supplies and other expense	36,458	6,791
	134,142	103,182
Speech Therapy:		
Salaries and wages	58,803	53,233
Professional fees	1,091	113
Supplies and other expense	1,141	2,080
	61,035	55,426

(continued next page)

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

	2011	2010
Home Health Care:		
Salaries and wages	$ 549,812	$ 1,534,873
Professional fees	220	--
Supplies and other expense	172,385	301,864
	722,417	1,836,737
Hospice:		
Salaries and wages	250,802	415,556
Professional fees	1,109	400
Supplies and other expense	249,383	413,437
	501,294	829,393
Cardiac Rehabilitation:		
Salaries and wages	137,243	146,372
Supplies and other expense	11,751	19,438
	148,994	165,810
Diabetic Center:		
Salaries and wages	100,430	96,595
Supplies and other expense	2,139	2,606
	102,569	99,201
Business Health:		
Supplies and other expense	--	11
Women's Health:		
Supplies and other expense	447	--
Medical Records:		
Salaries and wages	312,558	311,335
Supplies and other expense	38,630	47,029
Microfilming services purchased	21,029	7,280
	372,217	365,644
Medical Education - Community Orientation Program:		
Supplies and other expense	740	4,070

(continued next page)

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

	2011	2010
Utilization Review:		
Salaries and wages	$ 186,373	$ 190,631
Supplies and other expense	5,227	6,598
	191,600	197,229
Sleep Studies:		
Purchased services	77,800	101,225
Supplies and other expense	69	2,158
	77,869	103,383
Rural Health Clinic - Atlantic:		
Salaries and wages	1,533,979	1,418,585
Professional fees	1,724,934	1,701,979
Purchased services	68,104	53,977
Facility costs	61,439	42,411
Supplies and other expense	187,436	165,336
	3,575,892	3,382,288
Rural Health Clinic - Anita:		
Salaries and wages	62,712	63,391
Professional fees	32,373	35,138
Facility costs	20,006	19,435
Supplies and other expense	8,921	8,644
	124,012	126,608
Rural Health Clinic - Massena:		
Salaries and wages	42,093	48,248
Professional fees	29,710	31,550
Facility costs	5,383	5,596
Supplies and other expense	11,411	10,378
	88,597	95,772
Rural Health Clinic - Griswold:		
Salaries and wages	68,492	58,420
Professional fees	49,287	54,633
Facility costs	21,007	20,928
Supplies and other expense	9,880	10,984
	148,666	144,965
	$ 12,993,799	$ 14,107,388

See Independent Auditor's Report.

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

	2011	2010
Dietary:		
Salaries and wages	$ 437,082	$ 427,906
Food	207,457	199,035
Supplies and other expense	54,227	42,657
	698,766	669,598
Operation of Plant:		
Salaries and wages	335,087	332,564
Electricity	126,100	120,363
Natural gas and fuel oil	102,697	108,830
Water	29,674	19,079
Supplies and other expense	238,151	228,810
	831,709	809,646
Clinical Equipment:		
Contracted services	94,170	94,411
Supplies and other expense	4,204	4,774
	98,374	99,185
Housekeeping:		
Salaries and wages	301,488	319,668
Contracted management services	194,362	213,644
Supplies and other expense	67,006	58,157
	562,856	591,469
Laundry and Linen:		
Salaries and wages	33,248	32,896
Contracted management services	21,113	21,165
Supplies and other expense	54,723	58,493
Linens	1,729	1,937
	110,813	114,491
	$ 2,302,518	$ 2,284,389

See Independent Auditor's Report.

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

	2011	2010
Administrative Services:		
Salaries and wages	$ 272,149	$ 274,018
Dues and subscriptions	42,120	38,462
Legal publications and advertising	9,145	11,721
Consulting fees	178,428	135,644
Physician recruiting	324,620	291,835
Supplies and other expense	80,284	40,182
	906,746	791,862
Fiscal Services:		
Salaries and wages	347,270	326,134
Telephone	19,397	34,593
Freight and postage	17,379	15,172
Professional fees	32,590	50,654
Supplies and other expense	103,513	126,607
	520,149	553,160
Admissions:		
Salaries and wages	265,370	277,760
Supplies and other expense	12,643	13,003
	278,013	290,763
Credit and Collections:		
Salaries and wages	161,282	179,842
Supplies and other expense	85,726	91,612
Collection expense	125,195	144,928
	372,203	416,382
Information Systems:		
Salaries and wages	554,951	548,390
Professional fees	9,941	38,405
Supplies and other expense	376,094	302,773
	940,986	889,568
Human Resources:		
Salaries and wages	198,674	193,970
Supplies and other expense	173,111	69,240
	371,785	263,210
Public Relations:		
Salaries and wages	59,235	50,250
Supplies and other expense	70,291	66,519
	129,526	116,769
Purchasing:		
Salaries and wages	120,993	109,687
Supplies and other expense	34,101	20,417
	155,094	130,104

(continued next page)

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

	2011	2010
Employee Welfare:		
Social Security tax	$ 991,106	$ 1,090,942
Iowa Public Employees' Retirement System	1,008,601	948,122
Group health insurance	1,675,454	1,708,587
Workers' compensation insurance	298,495	294,622
Deferred compensation	195,842	209,054
Other	10,446	10,366
	4,179,944	4,261,693
Insurance:		
Liability and property insurance	128,368	175,810
Wellness:		
Salaries and wages	--	29,041
Supplies and other expense	12,743	21,632
	12,743	50,673
Compliance:		
Supplies and other expense	14,115	4,755
Customer Service:		
Salaries and wages	6,508	994
Supplies and other expense	28,311	32,382
	34,819	33,376
Foundation:		
Salaries and wages	32,475	30,379
	$ 8,076,966	$ 8,008,504

Summary of Expenses

Salaries and wages	$ 14,009,973	$ 15,358,592
Employee benefits	4,179,944	4,261,693
Professional fees	3,543,128	3,034,766
Supplies and other expense	7,617,056	7,654,377
	$ 29,350,101	$ 30,309,428

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Statistics
Year ended June 30,

	2011	2010	2009	2008	2007
Acute Care:					
Admissions	611	670	1,023	1,059	936
Discharges	611	673	1,015	1,058	944
Patient Days	1,807	1,958	2,716	3,168	3,061
Average Length of Stay	2.96	2.91	2.68	2.99	3.24
Average Occupied Beds	5.0	5.4	7.4	8.7	8.4
Swing Bed:					
Admissions	208	247	339	340	284
Discharges	209	244	343	341	282
SNF Days	1,633	1,639	2,276	2,165	2,045
Average Occupied Beds	4.5	4.5	6.2	5.9	5.6
Skilled Nursing Facility:					
Admissions	--	--	9	4	5
Discharges	--	--	9	5	4
Patient Days	--	--	42	43	20
Combined Average Occupied Beds (Acute and Skilled)	9.5	9.9	13.8	14.7	14.0
Psychiatric Unit:					
Admissions	271	258	209	226	211
Discharges	274	255	214	227	207
Patient Days	976	1,017	1,187	1,118	1,014
Average Occupied Beds	2.7	2.8	3.3	3.1	2.8
Total Average Occupied Beds	12.2	12.7	17.0	17.7	16.8
Nursery Days	297	249	329	325	291
Outpatient Occasions of Service	63,279	63,719	63,797	61,527	55,640
Physician Clinic Visits	38,672	39,384	43,584	32,354	--

See Independent Auditor's Report.

CASS COUNTY MEMORIAL HOSPITAL
Comparative Balance Sheets
June 30,

	2011	2010
Current Assets:		
Cash	$ 7,256,381	$ 3,636,087
Patient receivables, net	4,067,652	5,064,426
Other receivables	872,088	913,607
Inventory	520,233	572,468
Prepaid expense	521,870	449,963
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	1,950,000	1,851,000
Internally designated assets	486,059	493,092
Total current assets	15,674,283	12,980,643
Other Assets:		
Designated and restricted assets, net	22,588,859	5,992,362
Capital assets, net	13,400,851	9,313,124
Other noncurrent assets	1,405,608	1,085,656
Total other assets	37,395,318	16,391,142
	$ 53,069,601	$ 29,371,785
Current Liabilities:		
Current maturities	$ 241,129	$ 460,393
Accounts payable	616,749	650,584
Accrued expenses	2,272,731	2,131,356
Estimated third-party payor settlements	449,000	660,000
Deferred revenue for succeeding year property tax receivable	1,950,000	1,851,000
Total current liabilities	5,529,609	5,753,333
Capital Lease Obligations, Net	319,026	529,706
Bonds Payable, Net	23,500,000	--
Net Assets	23,720,966	23,088,746
	$ 53,069,601	$ 29,371,785

See Independent Auditor's Report.

2009	2008	2007
$ 3,322,317	$ 1,693,315	$ 1,179,749
5,419,949	7,412,879	5,129,144
839,699	657,036	374,128
682,971	702,678	617,445
554,369	366,436	343,526
--	--	265,000
2,086,000	1,593,000	1,711,000
562,833	615,523	596,172
13,468,138	13,040,867	10,216,164
5,174,364	3,754,040	3,517,263
9,189,413	9,876,362	10,573,153
1,057,152	924,536	3,484,618
15,420,929	14,554,938	17,575,034
$ 28,889,067	$ 27,595,805	$ 27,791,198
$ 537,869	$ 528,502	$ 504,148
717,953	742,663	738,704
2,199,624	1,952,436	1,548,302
583,000	768,000	--
2,086,000	1,593,000	1,711,000
6,124,446	5,584,601	4,502,154
298,497	509,362	709,577
153,135	461,166	772,273
22,312,989	21,040,676	21,807,194
$ 28,889,067	$ 27,595,805	$ 27,791,198

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

	2011	2010
Patient Service Revenue	$ 44,871,636	$ 44,929,206
Adjustments to Patient Service Revenue	(16,961,710)	(15,406,862)
Net Patient Service Revenue	27,909,926	29,522,344
Other Revenue	844,730	1,142,048
Total Revenue	28,754,656	30,664,392
Expenses	30,955,471	31,838,929
Operating Loss	(2,200,815)	(1,174,537)
Non-Operating Revenue, Net	2,746,127	1,865,380
Capital Grants and Contributions	86,908	84,914
Excess of Revenues Over Expenses	$ 632,220	$ 775,757

See Independent Auditor's Report.

2009	2008	2007
$ 47,217,240	$ 44,042,242	$ 36,357,236
(17,502,545)	(16,348,067)	(13,045,084)
29,714,695	27,694,175	23,312,152
1,109,490	970,419	429,657
30,824,185	28,664,594	23,741,809
31,698,666	28,826,601	24,075,267
(874,481)	(162,007)	(333,458)
2,082,108	1,896,297	1,694,884
64,686	67,179	67,329
$ 1,272,313	$ 1,801,469	$ 1,428,755

COMMENTS AND RECOMMENDATIONS

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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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, 2011, and have issued our report thereon dated October 12, 2011. 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, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Cass County Memorial Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 11-I-A to be a significant deficiency.

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, 2011 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.

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

Atlantic, Iowa
October 12, 2011

CASS COUNTY MEMORIAL HOSPITAL
Schedule of Findings
Year ended June 30, 2011

PART I - SIGNIFICANT DEFICIENCIES

11-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

11-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2011 did not exceed amounts budgeted.

11-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.

CASS COUNTY MEMORIAL HOSPITAL
Schedule of Findings - Continued
Year ended June 30, 2011

PART II - REQUIRED STATUTORY REPORTING - Continued

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

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

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

11-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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