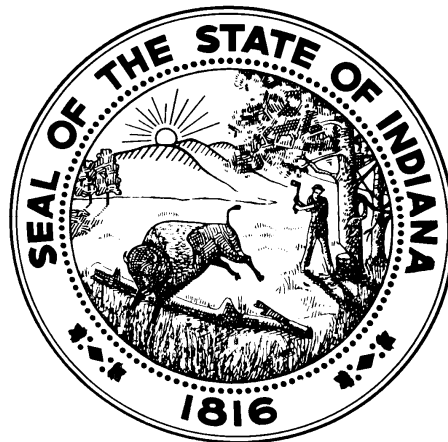


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT
OF

SCOTT MEMORIAL HOSPITAL
A COMPONENT UNIT OF
SCOTT COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED
08/13/2009

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HOSPITAL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President/Chief Executive Officer	Clifford D. Nay	01-01-08 to 12-31-09
Treasurer/Chief Financial Officer	Angela G. Doan	01-01-08 to 12-31-09
Chairman of the Hospital Board	Donna R. Faris Albert L. Thornmyer	01-01-08 to 12-31-08 01-01-09 to 12-31-09
President of the Board of County Commissioners	Larry Blevins Thomas Herald	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SCOTT MEMORIAL HOSPITAL, SCOTT COUNTY, INDIANA

We have audited the accompanying basic financial statements of the Scott Memorial Hospital (Hospital), as of and for the year ended December 31, 2008, as listed in the Table of Contents. 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital on December 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

The Hospital has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 2, 2009

SCOTT MEMORIAL HOSPITAL
STATEMENT OF NET ASSETS
December 31, 2008
(In Thousands)

Assets

Current assets:	
Cash and cash equivalents	\$ 63
Short-term investments	3,539
Patient accounts receivable, net of estimated uncollectibles of \$8,318	6,712
Supplies and other current assets	1,782
Investment with affiliated companies	17
Estimated third party settlements	1,357
Capital assets:	
Land	241
Depreciable capital assets, net of accumulated depreciation	20,146
Construction in progress	47
Total assets	\$ 33,904

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 1,959
Accrued expenses	535
Note payable	680
Interest payable	5
Total liabilities	3,179
Net assets:	
Invested in capital assets	20,434
Unrestricted	10,291
Total net assets	30,725
Total liabilities and net assets	\$ 33,904

The accompanying notes are an integral part of the financial statements.

SCOTT MEMORIAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2008
(In Thousands)

Operating revenues:	
Net patient service revenue (net of provision for bad debt)	\$ 24,694
Other	<u>441</u>
Total operating revenues	<u>25,135</u>
Operating expenses:	
Salaries and benefits	12,949
Medical supplies and drugs	2,633
Purchased services	3,364
Professional fees	200
Other	1,411
Management fee	438
Depreciation	<u>1,725</u>
Total operating expenses	<u>22,720</u>
Operating income	<u>2,415</u>
Nonoperating revenues (expenses):	
Investment income	23
Loss on investments	(1,550)
Gain on sale of capital assets	141
Interest expense	(5)
Loss on investment in affiliated companies	<u>(14)</u>
Total nonoperating expenses	<u>(1,405)</u>
Excess of revenues over expenses before contributor	1,010
Contributions	<u>167</u>
Increase in net assets	1,177
Net assets beginning of the year	<u>29,548</u>
Net assets end of the year	<u>\$ 30,725</u>

The accompanying notes are an integral part of the financial statements.

SCOTT MEMORIAL HOSPITAL
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008
(In Thousands)

Cash flows from operating activities:	
Receipts from and on behalf of patients	\$ 23,517
Payments to suppliers and contractors	(9,977)
Payments to employees	(12,949)
Other receipts and payments, net	<u>(347)</u>
Net cash provided by operating activities	<u>244</u>
Cash flows from noncapital financing activities:	
Noncapital grants and contributions	167
Temporary operating loan	<u>680</u>
Net cash provided by noncapital financing activities	<u>847</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,338)
Proceeds from sale of capital assets	<u>208</u>
Net cash used by capital and related financing activities	<u>(5,130)</u>
Cash flows from investing activities:	
Interest and dividends on investments	23
Increase in investment in affiliated company	<u>112</u>
Net cash provided by investing activities	<u>135</u>
Net decrease in cash and cash equivalents	(3,904)
Cash and cash equivalents at beginning of year	<u>3,967</u>
Cash and cash equivalents at end of year	<u><u>\$ 63</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents in current assets	\$ 63
Restricted cash and cash equivalents	<u>-</u>
Total cash and cash equivalents	<u><u>\$ 63</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 2,415
Adjustments to reconcile operating income to net cash flows used in operating activities:	
Depreciation and amortization	1,725
Provision for bad debts	6,185
Nonoperating expense	5
(Increase) decrease in current assets:	
Patient accounts receivable	(7,362)
Supplies and other current assets	116
Estimated third-party payor settlements	(793)
Decrease in current liabilities:	
Accounts payable and accrued expenses	(1,269)
Other current liabilities	<u>(778)</u>
Net cash provided in operating activities	<u><u>\$ 244</u></u>

Noncash investing, capital, and financing activities:

The Hospital held investments at December 31, 2008, with a fair value of \$3,539,000. During 2008, the net decrease in the fair value of these investments was \$1,550,000.

The accompanying notes are an integral part of the financial statements.

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Scott Memorial Hospital (Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient and out-patient health care.

The Board of County Commissioners of Scott County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between the County and the Hospital. For these reasons, the Hospital is considered a component unit of Scott County.

The accompanying financial statements present the activities of the Hospital (primary government). There are no significant component units which require inclusion.

B. 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), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less.

Short-term investments are investments with remaining maturities of up to ninety days.

Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment income, including changes in the fair value of investments, is reported as non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

3. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 1,000	Straight-line	5 to 25 years
Buildings and improvements	1,000	Straight-line	2 to 50 years
Equipment	1,000	Straight-line	3 to 25 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest expense was capitalized by the Hospital during the audit period.

4. Net Assets

Net assets of the Hospital are classified in two components.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets.

D. Grants and Contributions

From time to time, the Hospital receives grants from Scott County and the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements,

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

E. Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

F. Operating Revenues and Expenses

The Hospital's Statement of Revenues, Expenses, and Changes in Net Assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

G. Compensated Absences

1. Sick Leave

Hospital employees earn sick leave at the rate of 12 days per year. Unused sick leave may be accumulated to a maximum of 54 to 60 days depending upon job classification. Accumulated sick leave is not paid to employees.

2. Vacation Leave

Hospital employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave may be carried over from one year to another but the amount carried over may not exceed the employee's annual accrual. Accumulated vacation leave is paid to terminated employees through cash payments.

3. Personal Leave

Hospital employees earn personal leave at the rate of 2 days per year. Personal leave is not cumulative and must be taken within 6 months after being accrued.

Vacation leave is accrued when incurred and reported as a liability.

No liability is reported for sick and personal leave.

II. Detailed Notes

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 16-22-3-16 requires only that money in the hospital funds be deposited in the manner determined by the governing board. The Hospital does not

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

have a formal policy regarding custodial credit risk for deposits. At December 31, 2008, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 16-22-3-20. As of December 31, 2008, the Hospital had mutual funds with a market value of \$3,538,685.

Investment Policies

Indiana Code 16-22-3-20 authorizes the Hospital to invest in: (1) any interest bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; (2) repurchase or resale agreements involving the purchase and guaranteed resale of any interest bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in which type of agreement the amount of money must be fully collateralized by interest bearing obligations as determined by the current market value computed on the day the agreement is effective; (3) mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana; (4) securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency; or (5) pooled fund investments for participating hospitals offered, managed, and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

B. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year end consisted of these amounts:

<u>Patient Accounts Receivable</u>	<u>(In Thousands)</u>
Receivable from patients and their insurance carriers	\$ 9,834
Receivable from Medicare	2,928
Receivable from Medicaid	<u>2,268</u>
Total patient accounts receivable	15,030
Less allowance for uncollectible amounts	<u>8,318</u>
Patient accounts receivable, net	<u><u>\$ 6,712</u></u>
<u>Accounts Payable and Accrued Expenses (In Thousands)</u>	
Payable to employees (including payroll taxes)	\$ 535
Payable to suppliers	<u>1,959</u>
Total accounts payable and accrued expenses	<u><u>\$ 2,494</u></u>

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	(In Thousands)			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 276	\$ -	\$ 35	\$ 241
Construction in progress	3,903	47	3,903	47
 Total capital assets, not being depreciated	 4,179	 47	 3,938	 288
Capital assets, being depreciated:				
Buildings	12,530	7,639	155	20,014
Improvements other than buildings	502	12	8	506
Fixed equipment	1,971	252	65	2,158
Major movable equipment	10,292	1,292	832	10,752
 Totals	 25,295	 9,195	 1,060	 33,430
Less accumulated depreciation for:				
Buildings	4,458	655	173	4,940
Improvements other than buildings	353	34	11	376
Fixed equipment	1,665	66	67	1,664
Major movable equipment	6,106	1,136	938	6,304
 Totals	 12,582	 1,891	 1,189	 13,284
 Total capital assets, being depreciated, net	 12,713	 7,304	 (129)	 20,146
 Total capital assets, net	 \$ 16,892	 \$ 7,351	 \$ 3,809	 \$ 20,434

D. Short-Term Liabilities

During 2008, the Hospital used a \$1,000,000 unsecured revolving line of credit to provide additional funding to pay current expenses.

Short-term debt activity for the year ended December 31, 2008, was as follows:

	(In Thousands)			
	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Line of credit	\$ -	\$ 1,070	\$ 390	\$ 680

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Charity Care

During the reporting period, charges excluded from revenue under the Hospital's charity care policy were \$46,000.

III. Other Information

A. Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount reported in the Statement of Net Assets for cash and cash equivalents approximates its fair value.

Short-Term Investments

The carrying amount reported in the Statement of Net Assets is the investment's fair value on the day it becomes a short-term investment.

Accounts Payable and Accrued Expenses

The carrying amount reported in the Statement of Net Assets for accounts payable and accrued expenses approximates its fair value.

Estimated Third-Party Payer Settlements

The carrying amount reported in the Statement of Net Assets for estimated third-party payer settlements approximates its fair value.

C. Fair Value Measurements

Statement on Financial Accounting Standards No. 157, Fair Value Measurements (as amended), requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by the Hospital impacted by this pronouncement include the Hospital's investments and assets whose use is limited which are measured using quoted prices in active markets and other significant observable inputs.

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Hospital partially adopted the provisions of FAS 157 for fiscal year 2008, but will delay adoption of nonfinancial assets and nonfinancial liabilities covered by FASB Staff Position No. FAS 157-2. This Staff Position permits entities to partially defer the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal year 2009.

When fully adopted, the Hospital will apply the provisions of FAS 157-2 to certain nonfinancial assets and liabilities and is currently evaluating the impact of the full adoption of this statement on the activities, changes in net assets and financial position. Using the provisions within SFAS No. 157, the Hospital has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the Statement of Net Assets are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are investments where values are based on unadjusted quoted prices for identical assets in an active market that the Hospital has the ability to access. Investments include mutual funds.

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of U.S. government securities that trade infrequently and certificates of deposit.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Based upon the levels as defined the Hospital's investments as of December 31, 2008, are classified as follows:

(In Thousands)				
Investment Type	12-31-08	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 3,539	\$ 3,539	\$ -	\$ -

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Management Agreement and Related Fees

In 1991, the Hospital entered into an agreement with MedGroup Management, Inc. (MedGroup), an affiliate of Jewish Hospital & St. Mary's HealthCare, Inc., whereby MedGroup would supervise, manage and operate the Hospital. According to the agreement, MedGroup will provide the Chief Executive Officer, who will be appointed by the Hospital's Board of Directors, and the Chief Financial Officer.

A management fee of \$438,000 was paid by the Hospital based on operating income. Expenses related to the management contract, totaled \$857,000. In addition, expenses in the amount of \$1,648,000 were incurred for services performed by Jewish Hospital & St. Mary's HealthCare, Inc., and its related entities. The amount of \$766,000 was due to MedGroup Management and its affiliates as of December 31, 2008.

E. Subsequent Events

On January 15, 2009, the Hospital borrowed \$2,000,000 at an interest rate of 5.75% per year. Terms of the loan included (1) monthly payments of \$16,700 from February 15, 2009 to December 15, 2011, and (2) a balloon payment in the amount of \$1,700,000 due January 15, 2012.

F. Contingent Liabilities

The Hospital is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

G. Investment in Affiliated Companies

In 1999, the Hospital entered into an agreement with seven related hospitals to establish and operate the Regional Service Center (Service Center), a purchasing and supply distribution center. In accordance with this agreement, the Hospital invested \$103,000 for a 1.6% equity interest in the Service Center. In 2008, the Service Center was sold to a private company (O & M Company) through agreements with all parties holding an equity interest. On December 18, 2008, the Hospital received \$118,000 from O & M Company, representing the Hospital's equity interest of \$147,000 less inventory buy-back of \$29,000. As of December 31, 2008, an additional \$17,000 was due from O & M Company pending final settlement of the Service Center's accounts receivable at time of buy-out by O & M Company.

H. Estimated Third-Party Settlements

Regulations in effect require annual retroactive settlements for third-party settlements based upon cost reports filed by the Hospital. These retroactive settlements are estimated and recorded in the accompanying financial statements. Changes in these estimates are reflected in the year in which they occur.

Cost reports filed by the Hospital are subject to audit by third parties. These audits may result in assessments or additional reimbursements. Assessments and reimbursements from audits of prior periods may result in changes to the estimates recorded in the accompanying financial statements pending appeal and final settlement. These changes are also reflected in the year in which they occur.

SCOTT MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The estimated third party settlement from Medicare also changed due to the Hospital's change from an Outpatient Prospective Payment System provider to a Critical Access Hospital and the way the Hospital is reimbursed based on this change. This change resulted in an estimated increase in additional reimbursement from the cost report for calendar year 2008.

The estimated third-party settlement asset increased from \$564,000 on December 31, 2007, to \$1,357,000 on December 31, 2008, due to the net effect of retroactive settlements; audit assessments and refunds; and change in status. The Hospital is appealing audit assessments and has recorded additions to the asset based on expected reimbursement.

I. Pension Plan

Defined Contribution Pension Plan

Scott Count Memorial Hospital 403 (B) Plan

Plan Description

The Hospital has a defined contribution pension plan administered by American United Life Insurance Company (Plan Administrator) as authorized by IC 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements are established by written agreement between the Hospital Board of Trustees and the Plan Administrator in accordance with the Internal Revenue Code. The Hospital contributes to each participating employee's individual account an amount equal to the amount the employee has elected to contribute through salary reduction contributions subject to Internal Revenue Code restrictions. Statements of employer and employee contributions to the plan are sent to individual plan members. The Hospital does not receive a statement.

SCOTT MEMORIAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2009, with Angela G. Doan, Treasurer/Chief Financial Officer; Albert L. Thornmyer, Chairman of the Hospital Board; and Clifford D. Nay, President/Chief Executive Officer. Our audit disclosed no material items that warrant comment at this time.