

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$17,860,000

Gaylord Hospital Finance Authority

Hospital Revenue and Refunding Bonds, Series 2004

Otsego Memorial Hospital Association Obligated Group

Provide nine-digit CUSIP* numbers if available, to which the information relates:

368177AB7

368177AC5

368177AD3

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 33 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: January – December 2007 (FY2007)

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: January – December 2007 (FY2007)

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: _____

F. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name Shelley J. Aronson Title President
Employer First River Advisory L.L.C.
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104
Telephone (734) 761-3624 Fax (734) 761-3614
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

Obligor Contact, if any:

Name Timothy R. Eckert Title Vice President of Finance
Employer Otsego Memorial Hospital
Address 825 North Center Street City Gaylord State MI Zip Code 49735
Telephone (989) 731-2238 Fax (989) 731-2217
Email Address Teckert@otsegomemorialhospital.org Obligor Web Site Address www.otsegomemorialhospital.org

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

OTSEGO MEMORIAL HOSPITAL ASSOCIATION
825 NORTH CENTER STREET
GAYLORD, MI 49735

OFFICER'S CERTIFICATE

DATED: May 15, 2008

This Officer's Certificate is delivered pursuant to the Loan Agreement between Otsego Memorial Hospital Association (on behalf of Itself and as Obligated Group Agent on behalf of the Obligated Group) (the Corporation) and Gaylord Hospital Finance Authority (the Issuer), dated as of November 1, 2004 (the 2004 Loan Agreement), the Continuing Disclosure Undertaking delivered by the Corporation in connection with the Series 2004 Bonds (the CDU), the Indenture and Loan Agreement among the Issuer, the Corporation and Fifth Third Bank (Northern Michigan) dated as of February 1, 2005 relating to the Series 2005 Bonds as amended by the First Amendment to the Indenture and Loan Agreement dated January 2008 (together, the 2005 Indenture and Loan Agreement), and Supplemental Indenture Number 6 between the Corporation and Wells Fargo Bank N.A. (the Master Trustee) dated as of December 1, 2007 (Supplemental Indenture Number 6). All capitalized terms used herein are as defined in the Master Trust Indenture between the Issuer and the Master Trustee, dated as of November 1, 2004, in Supplemental Indenture Number 6 or in the 2004 Loan Agreement.

Attached are audited financial statements for the Fiscal Year ended December 31, 2007 as required by Section 5.10(a) of the 2004 Loan Agreement, Section 4(a) of the CDU, Section 605(a)(i) of the 2005 Indenture and Loan Agreement and Section 201(a)(ii) of Supplemental Indenture Number 6, the financial and statistical information required by Section 4(b) of the CDU, and the Management's Report required by Section 4(c) of the CDU. The undersigned certifies that:

1. I am the Chief Executive Officer of the Corporation and duly authorized to deliver this Officer's Certificate on behalf of the Corporation and the Obligated Group;
2. The Obligated Group's Debt Service Coverage Ratio for FY2007 is 1.59 times Maximum Annual Debt Service (MADS), which complies with the requirement of at least 1.50 times MADS as required by Section 804 of Supplemental Indenture No. 1 between the Corporation and the Master Trustee dated as of November 1, 2004, as amended by Section 202 of Supplemental Indenture Number 6, and by Paragraph (b) of Exhibit D to the 2005 Indenture and Loan Agreement, as amended;

<i>Debt Service Coverage Ratio Calculation for FY2007 (\$000s omitted, except for Debt Service Coverage Ratio)</i>		
Excess of Revenue over Expenses		16
Depreciation Expense		2,218
Interest Expense		1,746
Net Income Available for Debt Service	NIADS	3,980
Maximum Annual Debt Service Requirements	MADS	2,498
Debt Service Coverage Ratio	NIADS / MADS	1.59

3. The Obligated Group's average age of its trade accounts payable for FY2007 is 52.2 days, which complies with the requirement of no greater than 75 days, as required by Section 501(d) of the Master Indenture;

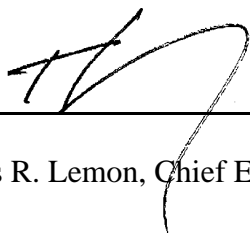
<i>Average Age of Trade Accounts Payable, FY2007</i>		
Trade Accounts Payable at FYE	AP	\$4,053,801
Average Daily Trade Accounts Payable	ADAP	\$77,713
Average Age of Trade Accounts Payable (days)	AP / ADAP	52.2

4. The Obligated Group's Days Cash on Hand at FYE2007 is 51 (calculated without deducting interest expense, which, although permitted by the Master Indenture, differs from the conventional definition, including that used in the Official Statement relating to the Series 2004 Bonds) which complies with the FY2007 requirement of at least 43 days, as required by Section 501(e) of the Master Indenture, Section 305 of Supplemental Indenture Number 6 and with Paragraph (d) of Exhibit D to the 2005 Indenture and Loan Agreement, as amended;

<i>Days' Cash on Hand Calculation at FYE2007 (\$000s omitted, except for Days' Cash on Hand)</i>		
Cash and Cash Equivalents		1,296
Short-Term Investments		678
Funded Depreciation		5,840
Less: Outstanding Principal Balance of Short-Term Indebtedness		0
Financial Assets	FA	7,814
Operating Expenses		58,249
Less: Depreciation and Amortization		2,218
Daily Operating Expenses	DOE	154
Days' Cash on Hand	FA / DOE	51
Requirement for December 31, 2007		43

5. The Obligated Group's Unrestricted Net Assets as of FYE2007 is \$18,545,703, which complies with the requirement of at least \$13,500,000, as required by Paragraph (i) of Exhibit D to the Indenture and Loan Agreement; and
6. As required by Section 605(b)(i) of the 2005 Indenture and Loan Agreement, to the best of my knowledge, neither has any Event of Default occurred under the 2005 Indenture and Loan Agreement, nor has any event occurred which, with notice and/or the passage of time, would constitute such as Event of Default thereunder.

Attached is the triennial report of an Insurance Consultant pursuant to Section 503(a)(vi) of the Master Indenture.



Thomas R. Lemon, Chief Executive Officer

Mr. Tim Eckert
Vice President of Finance
Otsego Memorial Hospital
825 North Center Avenue
Gaylord, Michigan 49735

5/14/08

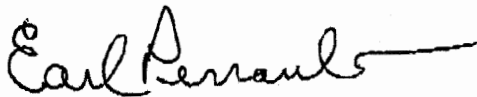
Dear Mr. Eckert

As you know, a little over a year ago we reviewed all of your insurance policies to determine if the coverage and limits provided by each policy were adequate to protect Otsego Memorial. We looked at the hospital's exposure being protected, the policy language, as well as exclusions, or endorsements contained in each policy.

Subsequent to the above, we have reviewed each policy prior to renewal.

As of this date it is my opinion that all of Otsego Memorial Hospital policies are adequate for their current exposures.

Sincerely,



Earl Perrault
Account Executive
FinCor Solutions

OTSEGO MEMORIAL HOSPITAL ASSOCIATION

UPDATE OF CERTAIN FINANCIAL INFORMATION AND OPERATING DATA (FY2007)

This Annual Report represents an update of certain financial information and operating data contained in Appendix A to the Official Statement relating to the Securities dated November 11, 2004 (the OS), as required by Section 4(b) of the Continuing Disclosure Agreement relating to the Securities. Unless otherwise noted, all data apply to the Fiscal Year Ended December 31, 2007, or are accurate as of December 31, 2007, as appropriate. "OS pages" in the table headings refer to the OS. The source of all data is the Corporation's records.

<i>Hospital Market Shares among Market Area Residents for Secondary Inpatient Admissions, Outpatient Invasive Procedures and Selected Specialties [OS Page A-24]</i>					
	Calendar Years				
	2007	2006	2005	2004	2003
Cardiology	49.7%	47.4%	49.4%	50.9%	55.9%
Gastroenterology	44.6%	41.2%	50.2%	47.3%	39.0%
General Surgery	37.4%	38.2%	36.3%	47.3%	49.6%
Pulmonology	61.6%	60.5%	55.2%	56.8%	61.7%
Obstetrics	64.3%	63.2%	62.1%	61.3%	57.8%
Orthopedics	68.1%	65.4%	67.3%	67.1%	70.5%
All Secondary Inpatient Admissions	51.9%	50.5%	52.9%	52.8%	52.7%
Gastroenterology	61.1%	53.6%	48.9%	49.4%	54.0%
General Medicine	68.8%	70.8%	69.3%	74.2%	77.3%
General Surgery	61.0%	60.5%	58.4%	64.6%	69.8%
Neurosurgery	44.1%	42.3%	48.8%	56.7%	61.6%
Obstetrics	95.3%	92.1%	93.1%	92.8%	93.1%
Ophthalmology	52.5%	50.4%	58.0%	58.1%	57.1%
Orthopedics	76.0%	76.2%	77.5%	77.2%	77.7%
All Outpatient Invasive Procedures	59.9%	58.6%	58.8%	59.6%	62.5%
Source: MHA					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2007
Page 2

<i>Historical Acute Care Utilization</i> (excludes newborns) [OS Page A-26]						
	<i>Fiscal Years Ended December 31</i>					
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
					<i>Corrected</i>	<i>Per OS</i>
Days in Period	365	365	365	366	365	365
Licensed Beds	53	53	53	53	53	53
Staffed Beds	39	39	39	39	39	39
Admissions	1,931	2,029	2,009	2,069	2,109	2,146
Change over Previous Period	(4.8)%	1.0%	(2.9)%	(1.9)%	16.7%	
Patient Days	5,836	5,988	5,873	5,699	6,100	6,100
Births	291	309	315	291	296	296
Average Daily Census	16.0	16.4	16.1	15.6	16.7	16.7
Average Length of Stay	3.0	3.0	2.9	2.8	2.9	2.8
Occupancy Rate ¹ (%)	41.0	42.1	41.3	39.9	42.9	42.9

¹ Based on Staffed Beds

<i>McReynolds Hall (Skilled Nursing) Utilization</i> [OS Page A-27]					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed and Staffed Beds	34	34	34	34	34
Patient Days	11,680	11,050	11,159	10,874	10,514
Average Daily Census	32.0	30.3	30.6	29.7	28.8
Occupancy Rate	94.1	89.0	89.9	87.4	84.7

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2007
Page 3

<i>Emergency Department, MedCare and Employed Physicians Volumes</i> <i>[OS Page A-27]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ED Visits	12,821	12,369	12,666	12,155	12,635
Change over Previous Period	3.7%	(2.3)%	4.2%	(3.8)%	(1.8)%
MedCare Visits	13,411	13,042	15,074	13,468	15,204
Change over Previous Period	2.8%	(13.5)%	11.9%	(11.4)%	(2.5)%
Employed Physicians Encounters	64,551	60,815			
Change over Previous Period	6.1%				

<i>Surgical and Other Procedures</i> <i>[OS Page A-28]</i>						
	<i>Fiscal Years Ended December 31</i>					
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	
Inpatient Surgeries	838	974	922	985	527	
Outpatient	Surgeries	4,137	3,803	3,501	3,728	4,210
	Other Procedures	5,652	4,398	4,023	4,309	4,380
	Total Outpatient	9,789	8,201	7,524	8,037	8,590
Grand Total	10,627	9,175	8,446	9,022	9,117	
Change over Previous Period	15.8%	8.6%	(6.4)%	(1.0)%	18.7%	
Percent Outpatient	92.1%	89.4%	89.1%	89.1%	94.2%	

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2007
Page 4

<i>Ancillary Services Provided to Inpatients</i> <i>[OS Page A-28]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Laboratory ¹	28,213	29,349	147,102	124,075	108,585
Electrocardiology ²	1,838	1,929	2,079	1,962	2,132
Radiology ²	4,179	4,382	4,506	4,249	4,087
Cardio-Pulmonary ²	18,031	17,878	13,818	13,205	11,253
Physical Therapy ²	6,041	6,209	5,946	5,627	5,153
Occupational Therapy ²	3,312	2,959	2,624	2,515	N/A
¹ FY2007 and FY2006 figures reflect a change in statistical basis to conform to newly-implemented productivity standards					
² FY2007 figures reflect a change in statistical basis to conform to newly-implemented productivity standards; FY2006 figures may not be comparable					

<i>Ancillary Services Provided to Outpatients</i> <i>[OS Page A-29]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Laboratory ¹	188,231	183,661	1,043,392	930,189	849,157
Electrocardiology ²	7,126	6,623	6,943	6,327	6,187
Electroencephalography ²	258	267	179	169	188
Radiology ²	42,963	40,854	38,978	38,627	36,322
Cardio-Pulmonary ²	8,431	7,326	6,489	7,027	6,041
Physical Therapy ²	13,096	13,321	13,524	12,945	10,779
Occupational Therapy ²	8,967	6,865	4,899	4,809	6,214
Cardiac Rehabilitation ²	9,663	7,354	5,622	4,437	5,358
¹ FY2007 and FY2006 figures reflect a change in statistical basis to conform to newly-implemented productivity standards					
² FY2007 figures reflect a change in statistical basis to conform to newly-implemented productivity standards; FY2006 figures may not be comparable					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2007
Page 5

<i>Payor Mix by Gross Revenue (excludes physician revenue) [OS Page A-34]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Medicare	42.4%	43.4%	44.3%	42.2%	41.1%
Medicaid	13.4%	12.3%	11.4%	11.8%	11.3%
Blue Cross	26.5%	25.7%	28.1%	30.1%	31.2%
Self-Pay	6.4%	6.5%	4.4%	3.9%	4.4%
Other	11.3%	12.1%	11.8%	12.0%	12.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

<i>Percentage of Gross Patient Service Revenue [OS Page A-35]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Inpatient	24.7%	27.8%	24.3%	34.7%	30.4%
Outpatient	70.7%	68.6%	71.4%	60.4%	65.2%
Skilled Nursing	3.6%	3.6%	4.3%	4.9%	4.4%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2007
Page 6

<i>Debt Service Coverage Ratio Calculation</i> <i>(\$000s omitted, except for Debt Service Coverage Ratio)</i> <i>[OS Page A-41]</i>	
	<i>Fiscal Year Ended December 31</i>
	<i>2007</i>
Net Income Available for Debt Service	3,980
Maximum Annual Debt Service Requirements ¹	2,498
Debt Service Coverage Ratio (x) ²	1.59
¹ Calculated in accordance with the Master Indenture based on data available as of the end of the FY ² As defined in 2003 U.S. Not-For-Profit Median Health Care Ratios published by Standard & Poor's on September 22, 2003	

Otsego Memorial Hospital and Subsidiary

**Consolidated Financial Report
with Additional Information
December 31, 2007**

Otsego Memorial Hospital and Subsidiary

Contents

Report Letter	1
Consolidated Financial Statements	
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-17
Additional Information	18
Report Letter	19
Consolidating Balance Sheet	20
Consolidating Statement of Operations	21



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Independent Auditor's Report

To the Board of Directors
Otsego Memorial Hospital
and Subsidiary

We have audited the accompanying consolidated balance sheet of Otsego Memorial Hospital and Subsidiary as of December 31, 2007 and 2006 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Otsego Memorial Hospital and Subsidiary at December 31, 2007 and 2006 and the consolidated results of their 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.

Plante & Moran, PLLC

April 10, 2008

Otsego Memorial Hospital and Subsidiary

Consolidated Balance Sheet

	December 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,296,050	\$ 1,955,938
Short-term investments	678,041	1,208,542
Accounts receivable (Note 2)	5,787,281	6,684,005
Estimated third-party payor settlements (Note 3)	1,735,000	1,590,001
Other current assets	1,858,895	1,573,499
Total current assets	11,355,267	13,011,985
Assets Limited as to Use (Note 4)	7,419,878	6,767,126
Property and Equipment - Net (Note 5)	29,852,031	32,450,596
Other Assets	2,148,305	1,890,468
Total assets	\$ 50,775,481	\$ 54,120,175
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 7)	\$ 969,859	\$ 1,076,239
Notes payable (Note 6)	-	1,000,000
Accounts payable	4,054,707	4,927,140
Accrued liabilities and other	2,735,460	2,548,590
Total current liabilities	7,760,026	9,551,969
Long-term Debt - Net of current portion (Note 7)	23,803,238	25,293,303
Other Liabilities - Deferred compensation	566,238	415,940
Total liabilities	32,129,502	35,261,212
Net Assets		
Unrestricted	18,545,703	18,661,418
Temporarily restricted	100,276	197,545
Total net assets	18,645,979	18,858,963
Total liabilities and net assets	\$ 50,775,481	\$ 54,120,175

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Operations

	Year Ended	
	December 31, 2007	December 31, 2006
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 56,288,623	\$ 52,974,919
Other	938,948	723,298
Total unrestricted revenue, gains, and other support	57,227,571	53,698,217
Expenses		
Salaries and wages	24,862,775	22,677,913
Employee benefits and payroll taxes	6,922,854	6,655,821
Operating supplies and expenses	8,266,814	7,330,579
Medical supplies and drugs	2,579,433	2,513,629
Professional services and consultant fees	1,926,315	2,235,236
Purchased services	1,182,899	1,380,295
Insurance	751,311	748,788
Utilities	959,667	900,629
Depreciation	2,217,780	2,176,935
Provision for bad debts	2,569,830	2,566,899
Interest expense	1,743,480	1,231,130
Other	4,118,340	3,853,453
Total expenses (Note 10)	58,101,498	54,271,307
Operating Loss	(873,927)	(573,090)
Other Income	889,749	826,820
Excess of Revenue Over Expenses	15,822	253,730
Change in Unrealized Gains and Losses on Investments (Note 4)	(253,806)	202,705
Net Assets Released from Restriction	122,269	325,035
(Decrease) Increase in Unrestricted Net Assets	\$ (115,715)	\$ 781,470

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended	
	December 31, 2007	December 31, 2006
Unrestricted Net Assets		
Excess of revenue over expenses	\$ 15,822	\$ 253,730
Change in unrealized gains and losses on investments (Note 4)	(253,806)	202,705
Net assets released from restriction	<u>122,269</u>	<u>325,035</u>
(Decrease) Increase in Unrestricted Net Assets	(115,715)	781,470
Temporarily Restricted Net Assets		
Restricted contributions	25,000	125,242
Net assets released from restriction	<u>(122,269)</u>	<u>(325,035)</u>
Decrease in Temporarily Restricted Net Assets	<u>(97,269)</u>	<u>(199,793)</u>
(Decrease) Increase in Net Assets	(212,984)	581,677
Net Assets - Beginning of year	<u>18,858,963</u>	<u>18,277,286</u>
Net Assets - End of year	<u>\$ 18,645,979</u>	<u>\$ 18,858,963</u>

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2007	December 31, 2006
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 54,470,518	\$ 49,318,770
Cash paid to suppliers and employees	(52,391,064)	(46,509,142)
Investment income received	280,398	351,831
Interest paid	(1,709,108)	(1,191,969)
Other operating receipts	1,016,988	893,897
Net cash provided by operating activities	1,667,732	2,863,387
Cash Flows from Investing Activities		
Purchase of property and equipment	(778,271)	(5,415,044)
Purchase of investments	(3,422,693)	(2,881,812)
Proceeds from sales and maturities of investments	3,319,286	4,771,011
Net distribution from investments joint ventures	125,000	275,000
Net cash used in investing activities	(756,678)	(3,250,845)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	800,000	-
Principal payments on debt obligations	(2,395,942)	(904,366)
Proceeds from restricted contributions	25,000	125,242
Increase in deferred charges	-	(28,737)
Net cash used in financing activities	(1,570,942)	(807,861)
Net Decrease in Cash and Cash Equivalents	(659,888)	(1,195,319)
Cash and Cash Equivalents - Beginning of year	1,955,938	3,151,257
Cash and Cash Equivalents - End of year	\$ 1,296,050	\$ 1,955,938
Supplemental Cash Flow Information - Equipment obtained via capital lease	\$ -	\$ 1,448,820

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note I - Nature of Business and Significant Accounting Policies

Reporting Entity and Corporate Structure - Otsego Memorial Hospital (the "Hospital") and Subsidiary, located in Gaylord, Michigan, is a not-for-profit hospital. The Hospital provides acute and long-term healthcare services to residents of Otsego County, Michigan and surrounding communities.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Otsego Memorial Hospital and its subsidiary, Otsego Memorial Hospital Foundation (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Otsego Memorial Hospital Foundation (the "Foundation") is a 501(c)(3) nonprofit organization whose sole member is Otsego Memorial Hospital. The Foundation's purpose is to provide, sponsor, and carry out activities and endeavors to obtain funds to be directed toward supporting the operating and capital needs of the Hospital.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less, excluding those amounts included in assets limited as to use.

The Hospital maintains cash and investment balances with a local bank. Accounts are insured by the Federal Depository Insurance Corporation up to \$100,000 for demand deposits and \$100,000 for time deposits. As of December 31, 2007, the uninsured cash balance approximated \$1,194,490.

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note I - Nature of Business and Significant Accounting Policies (Continued)

Assets Limited as to Use - Assets limited as to use include primarily assets held by trustees under bond indenture agreements and assets designated by the board of directors for future capital improvement. The board retains control, and may, at its discretion, subsequently use these assets for other purposes.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income from operations unless the income or loss is restricted by donor or law. Unrealized gains or losses on investments are excluded from excess of revenue over expenses.

Investments - Equity Method - Investments in companies in which the Organization has a 20 percent to 50 percent interest are carried at cost, adjusted for the Organization's proportionate share of their undistributed earnings or losses.

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of changes in net assets as net assets released from restrictions. The Organization treats donor restricted contributions where the restrictions are met in the year of donation as unrestricted contributions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Bond Issue Costs - Bond issue costs represent financing costs that are being amortized over the period the related debt is outstanding.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note I - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization 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. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for the acquisition of long-lived assets, permanent transfers of assets to and from affiliates for other than goods and services, changes in unrealized gains and losses on investments, and loss on advance refunding.

Classification of Net Assets - Net assets of the Organization are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Charity Care - The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care amounts represent less than 1 percent of gross revenue.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Tax Status - The Hospital and the Foundation are nonprofit, tax-exempt organizations; accordingly, no tax provision is reflected in the consolidated financial statements.

Accounting for Conditional Asset Retirement Obligation - Financial Accounting Standards Board Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligation*, clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it relates to the legal obligation to report asset retirement activities, such as asbestos removal, on existing properties. Over the past 20 years, management has systematically renovated, replaced, or constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown, and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at December 31, 2007.

Reclassification - Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2007</u>	<u>2006</u>
Patient accounts receivable	\$ 10,900,069	\$ 9,994,382
Less:		
Allowance for uncollectible accounts	(455,117)	(411,080)
Allowance for contractual adjustments	<u>(4,887,817)</u>	<u>(3,469,693)</u>
Net patient accounts receivable	5,557,135	6,113,609
Other	<u>230,146</u>	<u>570,396</u>
Net accounts receivable	<u>\$ 5,787,281</u>	<u>\$ 6,684,005</u>

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 2 - Patient Accounts Receivable (Continued)

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percentage	
	2007	2006
Medicare	28	30
Blue Cross/Blue Shield of Michigan	22	21
Medicaid	17	13
Commercial insurance and HMOs	17	18
Self-pay	16	18
Total	100	100

Note 3 - Cost Report Settlements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Approximately 84 percent of the Organization's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement with these third-party payors for Otsego Memorial Hospital is as follows:

- **Medicare** - Inpatient acute-care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are subject to hold-harmless provisions. Long-term care services are reimbursed on a prospectively determined rate per day.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates.
- **Blue Cross/Blue Shield of Michigan** - Services to Blue Cross/Blue Shield of Michigan subscribers are reimbursed on the basis of controlled charges. Annual allowable increases are determined prospectively.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 3 - Cost Report Settlements (Continued)

Cost report settlements result from the adjustment of interim payments to final reimbursements under these programs and are subject to audit by the fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

Note 4 - Assets Limited as to Use

The composition of assets limited as to use at December 31, 2007 and 2006 is summarized in the following schedule.

	<u>2007</u>	<u>2006</u>
Designated by the board of directors for replacement, improvement, and expansion of property and equipment:		
Certificate of deposits	\$ -	\$ 101,136
Cash and cash equivalents	411,727	143,833
Common stock	2,929,930	2,666,395
Mutual funds	939,608	627,154
Corporate bonds	423,428	278,398
U.S. government obligations	1,107,230	1,377,966
Accrued interest income	28,009	25,164
	<u>5,839,932</u>	<u>5,220,046</u>
Total assets limited to use - Designated by board of directors		
	5,839,932	5,220,046
Bond indenture assets held by bank trust department - U.S. Treasury obligations (Note 7)	<u>1,579,946</u>	<u>1,547,080</u>
Total assets limited as to use	<u>\$ 7,419,878</u>	<u>\$ 6,767,126</u>

Bond indentures represent debt service reserve funds.

Investment income and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Income:		
Interest and dividend income	\$ 282,454	\$ 284,600
Realized gains on sales of securities	430,468	16,375
Change in net unrealized gains on investments	<u>(253,806)</u>	<u>202,705</u>
Total	<u>\$ 459,116</u>	<u>\$ 503,680</u>

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 5 - Property and Equipment

The cost of property, plant, and equipment and depreciable lives are summarized as follows:

	2007	2006	Depreciable Life - Years
Land	\$ 946,666	\$ 784,666	-
Land improvements	141,755	141,755	7-40
Buildings and improvements	31,200,234	31,067,567	10-50
Equipment	18,624,809	19,621,499	5-20
Construction in progress	-	34,760	-
Total cost	<u>50,913,464</u>	<u>51,650,247</u>	
Accumulated depreciation	<u>(21,061,433)</u>	<u>(19,199,651)</u>	
Net property and equipment	<u>\$ 29,852,031</u>	<u>\$ 32,450,596</u>	

Capitalized interest was approximately \$561,000 for the year ended December 31, 2006.

Note 6 - Notes Payable

The Organization has two secured lines of credit with Fifth Third Bank in the amount of \$1,000,000 each. These lines are secured under the same terms as the Series 2004 and 2005 bond issues disclosed in Note 7. The interest rate on these lines of credit is the bank's prime rate, which was 7.25 percent and 8.25 percent at December 31, 2007 and 2006, respectively. The lines are the joint and several obligation of Otsego Memorial Obligate Group (the "Obligated Group"), comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. The lines of credit expire in October 2008.

At December 31, 2007 and 2006, the Organization had borrowings of \$0 and \$1,000,000, respectively, under these lines.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 7 - Long-term Debt

Long-term debt at December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Series 2004 Revenue and Refunding Bonds	\$ 17,860,000	\$ 17,860,000
Series 2005 Revenue and Refunding Bonds	6,834,486	7,639,058
Capital lease payable	-	1,312,192
Note payable	498,394	-
Total	<u>25,192,880</u>	<u>26,811,250</u>
Less unamortized bond discount - Series 2004	<u>(419,783)</u>	<u>(441,708)</u>
Net	24,773,097	26,369,542
Less current portion	<u>969,859</u>	<u>1,076,239</u>
Long-term portion	<u>\$ 23,803,238</u>	<u>\$ 25,293,303</u>

The Series 2004 Revenue and Refunding Bonds represent a note payable to the Gaylord Hospital Finance Authority, issued in connection with the Revenue and Refunding Bonds, Series 2004. This note is the joint and several obligation of the Otsego Memorial Obligated Group, comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. This note is collateralized by a mortgage on the Obligated Group's real estate and a security interest in the Obligated Group's gross revenues and property. The notes bears interest at rates ranging from 6.2 percent to 6.5 percent and requires interest-only payments until January 2016. Thereafter, annual principal payments range from \$395,000 to \$1,450,000.

The Series 2005 Revenue and Refunding Bonds represent a note payable to Fifth Third Bank, issued in connection with the Revenue and Refunding Bonds, Series 2005. This note is the joint and several obligation of the Otsego Memorial Obligated Group, comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. This note is collateralized by a mortgage on the Obligated Group's real estate and a monthly security interest in the Obligated Group's gross revenues and property. Monthly payments include principal payments that range from \$59,644 to \$93,464, plus interest at a variable rate equaling the lesser of 67 percent of the bank's prime rate or 67 percent of LIBOR plus 275 basis points. On December 31, 2007, the interest rate was 4.92 percent. The Series 2005 issue fully matures on January 1, 2015.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 7 - Long-term Debt (Continued)

The capital lease payable related to the lease of magnetic resonance imaging (MRI) equipment. The present value of the lease was capitalized at an original cost of \$1,448,821, with an imputed interest rate of 3.98 percent. The lease agreement called for 60 monthly payments of \$26,281, which includes imputed interest. During 2007, the Organization sold the equipment to a local bank and has entered into an operating lease agreement with that financial institution.

In connection with the revenue bonds, the Organization has agreed to various covenants. These covenants include various business and property requirements and maintenance of certain financial ratios.

The following table represents future minimum payments, by year and in the aggregate, as of December 31, 2007.

	Series 2004	Series 2005	Term Loan	Total
2008	\$ -	\$ 839,843	\$ 129,836	\$ 969,679
2009	-	878,535	130,079	1,008,614
2010	-	918,173	130,079	1,048,252
2011	-	959,468	108,400	1,067,868
2012	-	1,002,298	-	1,002,298
Thereafter	17,860,000	2,236,169	-	20,096,169
Net minimum payments	<u>\$ 17,860,000</u>	<u>\$ 6,834,486</u>	<u>\$ 498,394</u>	<u>\$ 25,192,880</u>

Note 8 - Medical Malpractice Claims

Based on the nature of its operations, the Organization is at times subject to pending or threatened legal actions, which arise in the normal course of its activities.

The Organization is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are insured, regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Organization bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims exceeding \$3,000,000, for claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 8 - Medical Malpractice Claims (Continued)

The Organization is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past four years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as a current expense.

Note 9 - Pension Plan

The Organization has a defined contribution plan for employees who meet certain requirements as to age and length of service. The Hospital is required to contribute a uniform percentage of eligible employee compensation. The uniform contribution percentage for both 2007 and 2006 was 2 percent. The Hospital also matches the employee contribution up to 2 percent of compensation. Pension expense included in the consolidated statement of operations was \$744,768 and \$718,518 in 2007 and 2006, respectively.

Note 10 - Functional Expenses

The Organization is a general acute-care facility that provides inpatient, outpatient, and long-term healthcare services to patients in Otsego County and the surrounding communities. Expenses related to providing these services for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Healthcare services	\$ 39,888,213	\$ 36,851,142
General and administrative	17,688,373	16,951,616
Fund-raising	524,912	468,549
Total	<u>\$ 58,101,498</u>	<u>\$ 54,271,307</u>

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 11 - Cash Flows

A reconciliation of (decrease) increase in net assets to net cash from operating activities is as follows:

	<u>2007</u>	<u>2006</u>
(Decrease) increase in net assets	\$ (212,984)	\$ 581,677
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	2,252,157	2,216,096
Restricted contributions	(25,000)	(125,242)
Provision for uncollectible accounts	2,569,830	2,566,899
Realized and unrealized net (gains) losses on investments	(176,662)	(219,080)
Undistributed (gain) loss on equity investments	(98,789)	(283,708)
Increase in assets:		
Accounts receivable	(1,673,106)	(1,909,880)
Cost report settlements receivable	(285,396)	(504,502)
Prepaid expenses and other current assets	(144,999)	(69,744)
Accrued interest income	(2,054)	(4,307)
Increase (decrease) in liabilities:		
Accounts payable	(872,433)	822,071
Accrued liabilities	337,168	1,034,874
Cost report settlements payable	-	(1,241,767)
Net cash provided by operating activities	<u>\$ 1,667,732</u>	<u>\$ 2,863,387</u>

Significant noncash investing and financing activities consist of converting a capital lease to an operating lease and removing the fixed asset (investing) and related debt (financing). The net book value of the asset was \$1,159,056 and the corresponding debt has a balance of \$1,022,428. The difference resulted in the creation of an intangible asset of \$136,628 to be amortized over the life of the new lease.

Note 12 - Operating Leases

The Hospital is obligated under certain operating leases, primarily for medical equipment. Total rent expense under these leases was \$852,630 and \$1,022,602 for the years ended December 31, 2007 and 2006, respectively.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Note 12 - Operating Leases (Continued)

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

<u>Years Ending December 31</u>	<u>Amount</u>
2008	\$ 1,205,260
2009	1,093,588
2010	772,085
2011	355,754
2012	73,752
Total	<u>\$ 3,500,439</u>

Additional Information



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To the Board of Directors
Otsego Memorial Hospital
and Subsidiary

We have audited the consolidated financial statements of Otsego Memorial Hospital and Subsidiary as of December 31, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the accompanying schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Plante & Moran, PLLC

April 10, 2008

Otsego Memorial Hospital and Subsidiary

Consolidating Balance Sheet December 31, 2007

	Otsego Memorial Hospital	Otsego Memorial Hospital Foundation	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,243,784	\$ 52,266	\$ -	\$ 1,296,050
Short-term investments	678,041	-	-	678,041
Accounts receivable	5,769,401	17,880	-	5,787,281
Estimated third-party payor settlements	1,735,000	-	-	1,735,000
Other current assets	1,758,619	100,276	-	1,858,895
Total current assets	11,184,845	170,422	-	11,355,267
Assets Limited as to Use	6,405,841	1,014,037	-	7,419,878
Property and Equipment - Net	29,852,031	-	-	29,852,031
Other Assets	2,148,305	-	-	2,148,305
Total assets	\$ 49,591,022	\$ 1,184,459	\$ -	\$ 50,775,481
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	\$ 969,859	\$ -	\$ -	\$ 969,859
Accounts payable	4,053,801	906	-	4,054,707
Accrued liabilities and other	2,735,460	-	-	2,735,460
Total current liabilities	7,759,120	906	-	7,760,026
Long-term Debt - Net of current portion	23,803,238	-	-	23,803,238
Other Liabilities - Deferred compensation	566,238	-	-	566,238
Total liabilities	32,128,596	906	-	32,129,502
Net Assets				
Unrestricted	17,462,426	1,083,277	-	18,545,703
Temporarily restricted	-	100,276	-	100,276
Total liabilities and net assets	\$ 49,591,022	\$ 1,184,459	\$ -	\$ 50,775,481

Otsego Memorial Hospital and Subsidiary

Consolidating Statement of Operations Year Ended December 31, 2007

	Otsego Memorial Hospital	Otsego Memorial Hospital Foundation	Eliminating Entries	Totals
Unrestricted Revenue, Gains, and Other Support				
Total patient service revenue	\$ 90,029,366	\$ -	\$ -	\$ 90,029,366
Revenue deductions	(33,740,743)	-	-	(33,740,743)
Net patient service revenue	56,288,623	-	-	56,288,623
Other	643,254	442,701	(147,007)	938,948
Total unrestricted revenue, gains, and other support	56,931,877	442,701	(147,007)	57,227,571
Expenses				
Salaries and wages	24,862,358	82,934	(82,517)	24,862,775
Employee benefits and payroll taxes	6,923,272	23,222	(23,640)	6,922,854
Operating supplies and expenses	8,296,811	-	(29,997)	8,266,814
Medical supplies and drugs	2,579,433	-	-	2,579,433
Professional services and consultant fees	1,926,315	-	-	1,926,315
Purchased services	1,182,899	4,198	(4,198)	1,182,899
Insurance	751,311	-	-	751,311
Utilities	959,835	606	(774)	959,667
Depreciation	2,217,780	-	-	2,217,780
Provision for bad debts	2,569,830	-	-	2,569,830
Interest expense	1,743,480	-	-	1,743,480
Other	4,079,769	44,452	(5,881)	4,118,340
Total expenses	58,093,093	155,412	(147,007)	58,101,498
Operating Income (Loss)	(1,161,216)	287,289	-	(873,927)
Other Income	702,715	187,034	-	889,749
Excess of Revenue Over (Under) Expenses	(458,501)	474,323	-	15,822
Transfer from (to) Affiliate	638,587	(638,587)	-	-
Change in Unrealized Gains and Losses on Investments	(93,301)	(160,505)	-	(253,806)
Net Assets Released from Restriction	25,000	97,269	-	122,269
Increase (Decrease) in Unrestricted Net Assets	\$ 111,785	\$ (227,500)	\$ -	\$ (115,715)