

**GUTHRIE COUNTY HOSPITAL**  
**INDEPENDENT AUDITOR'S REPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION**  
**COMMENTS AND RECOMMENDATIONS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

# GUTHRIE COUNTY HOSPITAL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Guthrie County Hospital  
Guthrie Center, Iowa

We have audited the accompanying balance sheets of Guthrie County Hospital as of June 30, 2005 and 2004, 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 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 a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit 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 Guthrie County Hospital as of June 30, 2005 and 2004, 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 August 17, 2005 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees  
Guthrie County Hospital

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4g and 20 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, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying information (shown on pages 21 through 36) 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.

*Stromwald, Bell, Kuhlman & Co. P.C.*

Atlantic, Iowa  
August 17, 2005

## GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2005 and 2004. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

The Hospital's total assets remained approximately the same as at the beginning of the fiscal year. Net assets, or total assets net of total liabilities, increased by over \$425,000 during fiscal 2005, an increase of approximately 9.8 percent.

The Hospital reported operating revenues for the year of \$6.4 million, an increase of approximately \$1.1 million or 22.0 percent. Net revenues, or revenues after all expenditures, for 2005 were \$216,545, an increase of \$190,962 from 2004.

The Hospital reported expenditures for the year of \$7.0 million, an increase of approximately \$1.0 million or 17.0 percent.

### USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

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

**GUTHRIE COUNTY HOSPITAL**  
**Management's Discussion and Analysis - Continued**

The first two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also 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.

**GUTHRIE COUNTY HOSPITAL**  
Management's Discussion and Analysis - Continued

**THE HOSPITAL'S NET ASSETS**

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The following table, Table 1, presents a summary of the Hospital's Balance Sheets.

**Table 1**  
**Condensed Balance Sheets**

	June 30,		Dollar Change	Percent Change
	2005	2004		
<b>Assets:</b>				
Current assets	\$ 2,817,911	\$ 3,153,006	\$( 335,095)	( 10.6%)
Designated and restricted assets	1,194,726	1,298,559	( 103,833)	( 8.0%)
Capital assets, net	<u>3,098,830</u>	<u>2,609,011</u>	<u>489,819</u>	<u>18.8%</u>
Total assets	<u>\$ 7,111,467</u>	<u>\$ 7,060,576</u>	<u>\$ 50,891</u>	<u>0.7%</u>
<b>Liabilities:</b>				
Current liabilities	\$ 1,816,181	\$ 1,981,376	\$( 165,195)	( 8.3%)
Long-term debt	<u>527,185</u>	<u>737,615</u>	<u>( 210,430)</u>	<u>( 28.5%)</u>
Total liabilities	<u>2,343,366</u>	<u>2,718,991</u>	<u>( 375,625)</u>	<u>( 13.8%)</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,405,245	1,611,596	793,649	49.2%
Restricted - expendable	101,009	100,000	1,009	1.0%
Unrestricted	<u>2,261,847</u>	<u>2,629,989</u>	<u>( 368,142)</u>	<u>( 14.0%)</u>
Total net assets	<u>4,768,101</u>	<u>4,341,585</u>	<u>426,516</u>	<u>9.8%</u>
Total liabilities and net assets	<u>\$ 7,111,467</u>	<u>\$ 7,060,576</u>	<u>\$ 50,891</u>	<u>0.7%</u>

A significant component of the change in the Hospital's assets was the decrease in patient accounts receivable. Although patient service revenues increased by \$1,147,000 (22.8 percent) in 2005, patient accounts receivable, net of estimated uncollectible amounts, decreased by \$51,000, or nearly 4.9 percent. The decrease in accounts receivable was primarily the result of the increase in the reserve for uncollectibles for accounts receivable

Another significant component of the change in the Hospital's assets is the investment in the new building and equipment. See related discussion in the CAPITAL ASSET AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was the continued accelerated debt retirement. See related discussion in the CAPITAL ASSET AND DEBT ADMINISTRATION section.

**GUTHRIE COUNTY HOSPITAL**  
**Management's Discussion and Analysis - Continued**

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS**

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2005 and 2004.

**Table 2**  
**Condensed Operating Results and Changes in Net Assets**

	<u>June 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Change</u>
<b>Revenue:</b>				
Net patient service revenue	\$ 6,176,899	\$ 5,029,297	\$ 1,147,602	22.8%
Other revenue	<u>177,679</u>	<u>177,885</u>	( 206)	( 0.1%)
Total revenue	<u>6,354,578</u>	<u>5,207,182</u>	<u>1,147,396</u>	<u>22.0%</u>
<b>Expenses:</b>				
Salaries and benefits	4,527,022	3,470,657	1,056,365	30.4%
Professional fees	267,103	491,721	( 224,618)	( 45.7%)
Supplies, contract services, equipment & other operating expenses	1,809,589	1,645,173	164,416	10.0%
Depreciation and amortization	<u>404,216</u>	<u>382,696</u>	<u>21,520</u>	<u>5.6%</u>
Total expenses	<u>7,007,930</u>	<u>5,990,247</u>	<u>1,017,683</u>	<u>17.0%</u>
Operating Loss	<u>( 653,352)</u>	<u>( 783,065)</u>	<u>129,713</u>	<u>( 16.6%)</u>
<b>Nonoperating Revenues and Expenses:</b>				
County taxes	867,289	793,664	73,625	9.3%
Investment income	43,971	44,958	( 987)	( 2.2%)
Noncapital grants and contributions	16,149	19,276	( 3,127)	( 16.2%)
Interest expense	( 49,242)	( 62,468)	13,226	( 21.2%)
Other nonoperating revenues and expenses, net	<u>( 8,270)</u>	<u>13,218</u>	<u>( 21,488)</u>	<u>( 162.6%)</u>
	<u>869,897</u>	<u>808,648</u>	<u>61,249</u>	<u>7.6%</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	216,545	25,583	190,962	746.4%
Capital Grants and Contributions	<u>209,971</u>	<u>35,171</u>	<u>174,800</u>	<u>497.0%</u>
Increase in net assets	426,516	60,754	365,762	602.0%
Net Assets Beginning of Year	<u>4,341,585</u>	<u>4,280,831</u>	<u>60,754</u>	<u>1.4%</u>
Net Assets End of Year	<u>\$ 4,768,101</u>	<u>\$ 4,341,585</u>	<u>\$ 426,516</u>	<u>9.8%</u>

**GUTHRIE COUNTY HOSPITAL**  
Management's Discussion and Analysis - Continued

**OPERATING LOSSES**

The first component of the overall change in the Hospital's net assets is its operating loss – generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have decreased.

Management's goal in 2005 was to stop the declining volume of patients treated while positioning the hospital and clinics to capture a greater portion of the Guthrie County health care market. The addition of a physician in January of 2004 and another physician in July of 2004 produced an increase in patient volumes and net patient service revenue. In 2004 additional unreimbursed expenses in our clinics were incurred to provide interim physician coverage while we recruited permanent physicians. In 2005 the physician were employed so professional fees decreased and salaries and benefits increased.

In 2005 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. The new practitioners have enabled the Hospital to offer new services and to expand our clinic services into northwestern Guthrie County. We have resolved a number of operating issues with the hospital and clinic buildings and have started upgrading the Hospital's physical plant.

The primary components of these decreased operating losses were:

An increase in revenue of \$1,147,000 or 22.8 percent.

Increases in salary and benefit costs for the Hospital's employees. (\$1,056,000 or 30.4 percent in 2005 and \$457,000 or 15.2 percent in 2004. The employment of two physicians, an additional pharmacist, and nurses account for part of the increase. Continued adjustments were made to salaries to match market conditions. Staff education also received increased focus during fiscal 2005.

Decrease in professional fees of \$224,000 or 45.7 percent. Locum tenen fees were incurred in 2004; these were eliminated in 2005. The additional fees in 2004 that were incurred to recruit and market new physicians, and to assist in preparations for the 2005 CAH (Critical Access Hospital) survey were not needed in 2005..

**GUTHRIE COUNTY HOSPITAL**  
**Management's Discussion and Analysis - Continued**

Finally, a process of upgrading the physical plant was begun during 2004 and continued in 2005 by investing in a number of items, including the following:

- Additions to or replacements of minor equipment in a number of departments and,
- Continued repairs and improvements to the plumbing and electrical systems

**NON-OPERATING REVENUES AND EXPENSES**

Non-operating revenues consist primarily of property taxes levied by the Hospital and interest income reported as investment earnings.

**THE HOSPITAL'S CASH FLOW**

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows used in operating activities for 2005 were \$269,334. Comparatively, for fiscal 2004, cash flows used in operating activities were \$487,950, a net change of nearly \$219,000. This significant change was due to significantly increased cash receipts, and increasing expenses that were less than the increase in cash receipts. The increases in expenses were primarily in three areas. First, increased staffing plus salaries adjusted to improve our competitive position in the employment marketplace account for most of the expense increase. Finally, investments were made in the Hospital's physical plant.

**BUDGETARY HIGHLIGHTS**

The official county budget of the Hospital for the year ended June 30, 2005 was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$8,059,473 by \$575,785 or about 7.1 percent. Actual expenditures were also lower than budgeted expenditures. Actual budget basis expenditures were \$6,652,956 as compared to budgeted expenditures of \$7,309,473, a reduction of \$656,517 or about 9.0 percent.

**GUTHRIE COUNTY HOSPITAL**  
Management's Discussion and Analysis - Continued

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

During the fiscal year, the Hospital made capital investments for a total of \$173,633 and invested \$728,672 in construction in progress. The following table, Table 3, presents a list of significant capital items:

**Table 3**  
**Capital Investments**

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2005 Cost</u>
Mammography Machine	Brown's Medical Imaging	Radiology	\$ 62,250
Parking lot expansion	Grimes Asphalt	Building	38,000
Colonscope	Olympus America	Operating Room	24,120
Security system	Midwest Lock & Security	Building	18,487

Capital assets for the years ended June 30, 2005 and 2004 are shown in the following table, Table 4:

**Table 4**  
**Capital Assets**

	<u>June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
	<u>2005</u>	<u>2004</u>		
Land and land improvements	\$ 258,535	\$ 219,730	\$ 38,805	17.7%
Buildings	3,057,050	3,057,957	( 907)	0.0%
Fixed equipment	1,003,867	1,090,513	( 86,646)	( 7.9%)
Major movable equipment	<u>2,300,310</u>	<u>2,458,868</u>	<u>( 158,558)</u>	<u>( 6.4%)</u>
Subtotal	6,619,762	6,827,068	( 207,306)	( 3.0%)
Less accumulated depreciation	4,283,832	4,252,285	31,547	0.7%
Construction in progress	<u>762,900</u>	<u>34,228</u>	<u>728,672</u>	<u>2128.9%</u>
Net property, plant and equipment	<u>\$ 3,098,830</u>	<u>\$ 2,609,011</u>	<u>\$ 489,819</u>	<u>18.8%</u>

Net property, plant and equipment increased as the Hospital has upgraded existing facilities and equipment. The Hospital is also in the process of building new space to accommodate increasing outpatient services. See discussion in the section titled CURRENTLY KNOWN FACTS.

**GUTHRIE COUNTY HOSPITAL**  
Management's Discussion and Analysis - Continued

**Debt:**

At year-end, the Hospital had \$693,585 in short-term and long-term debt. The debt amount is shown on the balance sheet net of the unamortized discount and deferred financing costs. No new debt was incurred during 2005, therefore the total debt amount decreased by \$303,830 in fiscal year 2005. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements.

A decline in interest rates in recent years has encouraged the practice of accelerating repayment of existing long-term debt in lieu of additional investment of cash generated from operations.

Total debt outstanding represents approximately 9.8% of the Hospital's total assets at June 30, 2005.

**CURRENTLY KNOWN FACTS**

At the time these financial statements were prepared and audited, the Hospital had almost completed the construction and equipping of a building to house the physical therapy, occupational therapy, business office, and congregate meal services, at an estimated total cost of approximately \$950,000. Construction is scheduled for completion in November of 2005.

**CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

**GUTHRIE COUNTY HOSPITAL**  
**Balance Sheets**  
**June 30,**

**ASSETS**

	<b>2005</b>	<b>2004</b>
<b>Current Assets:</b>		
Cash	\$ 551,187	\$ 743,378
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$357,384 in 2005, \$125,343 in 2004)	988,450	1,039,540
Other receivables	16,993	13,609
Inventory	155,125	152,836
Prepaid expense	68,063	84,282
Other current assets	24,529	13,918
Succeeding year property tax receivable	802,000	835,000
Internally designated assets	211,564	270,443
Total current assets	2,817,911	3,153,006
 <b>Designated and Restricted Assets:</b>		
Internally designated assets	1,305,281	1,469,002
Restricted assets	101,009	100,000
	1,406,290	1,569,002
Less amounts required to meet current liabilities	211,564	270,443
	1,194,726	1,298,559
 <b>Capital Assets:</b>		
Depreciable capital assets, net	2,314,547	2,553,400
Non-depreciable capital assets	784,283	55,611
	3,098,830	2,609,011
 Total assets	<b>\$ 7,111,467</b>	<b>\$ 7,060,576</b>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 166,400	\$ 259,800
Accounts payable	187,637	159,345
Accrued employee compensation	380,377	289,511
Payroll taxes withheld and accrued	10,496	12,356
Estimated third-party payor settlements	267,000	421,000
Accrued interest	2,271	4,364
Deferred revenue for succeeding year property tax receivable	<u>802,000</u>	<u>835,000</u>
Total current liabilities	1,816,181	1,981,376
<b>Long-Term Debt:</b>		
Revenue bonds, less unamortized discount, deferred financing costs and current maturities	293,436	410,224
Capital lease obligations, less current maturities	<u>233,749</u>	<u>327,391</u>
Total long-term debt	<u>527,185</u>	<u>737,615</u>
Total liabilities	2,343,366	2,718,991
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	2,405,245	1,611,596
Restricted - expendable	101,009	100,000
Unrestricted	<u>2,261,847</u>	<u>2,629,989</u>
Total net assets	<u>4,768,101</u>	<u>4,341,585</u>
Total liabilities and net assets	<u>\$ 7,111,467</u>	<u>\$ 7,060,576</u>

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

	<u>2005</u>	<u>2004</u>
<b>Revenue:</b>		
Net patient service revenue	\$ 6,176,899	\$ 5,029,297
Other revenue	<u>177,679</u>	<u>177,885</u>
Total revenue	6,354,578	5,207,182
<b>Expenses:</b>		
Nursing service	1,685,847	1,356,299
Other professional service	2,129,527	1,834,100
Physician clinic service	753,928	684,091
General service	808,341	696,964
Fiscal and administrative service	1,226,071	1,036,097
Provision for depreciation	<u>404,216</u>	<u>382,696</u>
Total expenses	<u>7,007,930</u>	<u>5,990,247</u>
Operating Loss	( 653,352)	( 783,065)
<b>Non-Operating Revenues (Expenses):</b>		
County taxes	867,289	793,664
Investment income	43,971	44,958
Noncapital grants and contributions	16,149	19,276
Rental income	--	13,750
Loss on disposal of property and equipment	( 8,270)	( 532)
Interest expense	<u>( 49,242)</u>	<u>( 62,468)</u>
Non-operating revenues, net	<u>869,897</u>	<u>808,648</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	216,545	25,583
Capital Grants and Contributions	<u>209,971</u>	<u>35,171</u>
Increase in Net Assets	426,516	60,754
Net Assets Beginning of Year	<u>4,341,585</u>	<u>4,280,831</u>
Net Assets End of Year	<u>\$ 4,768,101</u>	<u>\$ 4,341,585</u>

The accompanying notes are an integral part of these statements.

**GUTHRIE COUNTY HOSPITAL**  
**Statements of Cash Flows**  
**Year ended June 30,**

	2005	2004
<b>Cash flows from operating activities:</b>		
Cash received from patients and third-party payors	\$ 6,070,605	\$ 4,875,254
Cash paid to suppliers	( 3,002,297)	( 2,852,668)
Cash paid to employees	( 3,515,321)	( 2,702,171)
Rental income	--	13,750
Other revenue	<u>177,679</u>	<u>177,885</u>
Net cash used in operating activities	( 269,334)	( 487,950)
<b>Cash flows from non-capital financing activities:</b>		
County tax revenue	867,289	793,664
Noncapital grants and contributions	<u>16,149</u>	<u>19,276</u>
Net cash provided by non-capital financing activities	883,438	812,940
<b>Cash flows from capital and related financing activities:</b>		
Capital grants and contributions	209,971	35,171
Capital expenditures	( 177,267)	( 184,349)
Construction in progress expenditures	( 690,517)	( 49,750)
Principal paid on long-term debt	( 220,753)	( 197,619)
Principal paid on capital leases	( 89,842)	( 99,690)
Proceeds from sale of property and equipment	--	495
Interest paid	<u>( 44,570)</u>	<u>( 53,715)</u>
Net cash used in capital and related financing activities	( 1,012,978)	( 549,457)
<b>Cash flows from investing activities:</b>		
Investment income	43,971	44,958
Change in designated and restricted assets	<u>( 1,783)</u>	<u>151,477</u>
Net cash provided by investing activities	42,188	196,435
Net decrease in cash and cash equivalents	( 356,686)	( 28,032)
Cash and cash equivalents at beginning of year	<u>1,979,898</u>	<u>2,007,930</u>
Cash and cash equivalents at end of year	<u>\$ 1,623,212</u>	<u>\$ 1,979,898</u>
<b>Reconciliation of cash and cash equivalents to the balance sheets:</b>		
Cash and cash equivalents in current assets	\$ 551,187	\$ 743,378
Cash and cash equivalents in designated and restricted assets	<u>1,072,025</u>	<u>1,236,520</u>
Total cash and cash equivalents	<u>\$ 1,623,212</u>	<u>\$ 1,979,898</u>

(continued next page)

**GUTHRIE COUNTY HOSPITAL**  
**Statements of Cash Flows - Continued**  
**Year ended June 30,**

	2005	2004
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$( 653,352)	\$( 783,065)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	404,216	382,696
Provision for bad debts	253,687	165,748
Components of operating revenue reclassified for purposes of reporting cash flows		
Rental income	--	13,750
Change in assets and liabilities		
Accounts receivable	( 205,981)	( 436,791)
Inventory	( 2,289)	( 13,834)
Prepaid expense	16,219	( 15,571)
Other current assets	( 10,611)	1,799
Accounts payable, trade	( 6,229)	7,190
Accrued employee compensation	90,866	75,161
Payroll taxes withheld and accrued	( 1,860)	( 2,033)
Estimated third-party payor settlements	( 154,000)	117,000
Total adjustments	384,018	295,115
Net cash used in operating activities	\$( 269,334)	\$( 487,950)

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 used in operating activities:

	2005	2004
Capital leases were entered into for the purchase of equipment	\$ --	\$ 453,549
Net book value of asset traded	\$ --	\$ 64,378

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$202,064 in capital contributions from the Foundation during the year ended June 30, 2005 (\$34,871 in 2004). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$196,000 (\$324,000 in 2004) and a decrease in the change in net assets of approximately \$116,000 (\$93,000 in 2004) for the year ended June 30, 2005.

2. Enterprise Fund Accounting

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

3. Use of Estimates

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

4. Cash and Cash Equivalents

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

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

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

5. Inventory Valuation

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

6. Investments

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

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two 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 forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either 2005 or 2004.

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned (maximum of 300 hours). Any excess accumulated over the maximum is to be used within 90 days. The computed amount of vacation 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.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

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. 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.

15. Net Assets

Net assets of the Hospital are classified in four 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 expendable net assets* are noncapital net assets that must be used for a particular purpose, 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 H. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

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

16. 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, most outpatient services, and defined capital costs 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, 2003. The Medicaid cost reports have been audited through June 30, 2002. 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 - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Long-term debt	<u>\$ 101,009</u>	<u>\$ 100,000</u>

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2005 or 2004.

**GUTHRIE COUNTY HOSPITAL**  
Notes to Financial Statements  
June 30, 2005 and 2004

**NOTE C - RESTRICTED NET ASSETS - Continued**

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	2005	2004
Purchase of property and equipment	\$ 209,971	\$ 35,171

**NOTE D - DESIGNATED NET ASSETS**

Of the \$2,261,847 (\$2,629,989 as of June 30, 2004) of unrestricted net assets as of June 30, 2004, \$1,305,281 (\$1,469,002 for 2004) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

**NOTE E - DEPOSITS AND INVESTMENTS**

The Hospital's deposits at June 30, 2005 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

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

The composition of designated and restricted assets is as follows:

	2005	2004
<b>Internally Designated Assets:</b>		
Cash and cash equivalents	\$ 1,072,025	\$ 1,236,520
Certificates of deposit	230,000	230,000
GNMA pool	853	895
Interest receivable	2,403	1,587
	\$ 1,305,281	\$ 1,469,002
<b>Restricted Assets:</b>		
Certificates of deposit	\$ 101,009	\$ 100,000

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.

**GUTHRIE COUNTY HOSPITAL**  
Notes to Financial Statements  
June 30, 2005 and 2004

**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, 2005 and 2004, was as follows:

	<u>2005</u>	<u>2004</u>
Receivable from:		
Patients	\$ 339,418	\$ 275,039
Medicare	486,839	471,787
Medicaid	107,284	44,996
Blue Cross	188,925	167,669
Other commercial insurance carriers	221,358	202,032
Others	<u>2,010</u>	<u>3,360</u>
	1,345,834	1,164,883
Less allowances for doubtful accounts and contractual adjustments	<u>357,384</u>	<u>125,343</u>
	<u>\$ 988,450</u>	<u>\$ 1,039,540</u>

**NOTE G - CAPITAL ASSETS**

Capital assets, additions, disposals and balances for the years ended June 30, 2005 and 2004 were as follows:

<u>Cost</u>	<u>Balance 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2005</u>
Land Improvements	\$ 198,347	\$ 38,805	\$ --	\$ 237,152
Buildings	3,057,957	--	907	3,057,050
Fixed Equipment	1,090,513	25,144	111,790	1,003,867
Major Movable Equipment	<u>2,458,868</u>	<u>109,684</u>	<u>268,242</u>	<u>2,300,310</u>
	6,805,685	173,633	380,939	6,598,379
<u>Depreciation</u>				
Land Improvements	143,777	10,977	--	154,754
Buildings	1,812,035	120,035	887	1,931,183
Fixed Equipment	761,775	28,241	108,548	681,468
Major Movable Equipment	<u>1,534,698</u>	<u>244,963</u>	<u>263,234</u>	<u>1,516,427</u>
Total Depreciation	<u>4,252,285</u>	<u>404,216</u>	<u>372,669</u>	<u>4,283,832</u>
Total Depreciable Capital Assets, Net	<u>\$ 2,553,400</u>	<u>\$ ( 230,583)</u>	<u>\$ 8,270</u>	<u>\$ 2,314,547</u>
Construction in Progress	\$ 34,228	\$ 728,672	\$ --	\$ 762,900
Land	<u>21,383</u>	<u>--</u>	<u>--</u>	<u>21,383</u>
Total Non-Depreciable Capital Assets	<u>\$ 55,611</u>	<u>\$ 728,672</u>	<u>\$ --</u>	<u>\$ 784,283</u>

**GUTHRIE COUNTY HOSPITAL**  
Notes to Financial Statements  
June 30, 2005 and 2004

**NOTE G - CAPITAL ASSETS - Continued**

<u>Cost</u>	<u>Balance 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2004</u>
Land Improvements	\$ 198,347	\$ --	\$ --	\$ 198,347
Buildings	3,042,435	15,522	--	3,057,957
Fixed Equipment	1,090,513	--	--	1,090,513
Major Movable Equipment	<u>1,987,926</u>	<u>695,619</u>	<u>224,677</u>	<u>2,458,868</u>
	6,319,221	711,141	224,677	6,805,685
<u>Depreciation</u>				
Land Improvements	134,739	9,038	--	143,777
Buildings	1,684,297	127,738	--	1,812,035
Fixed Equipment	732,376	29,399	--	761,775
Major Movable Equipment	<u>1,477,449</u>	<u>216,521</u>	<u>159,272</u>	<u>1,534,698</u>
Total Depreciation	<u>4,028,861</u>	<u>382,696</u>	<u>159,272</u>	<u>4,252,285</u>
Total Depreciable Capital Assets, Net	<u>\$ 2,290,360</u>	<u>\$ 328,445</u>	<u>\$ 65,405</u>	<u>\$ 2,553,400</u>
Construction in Progress	\$ 4,500	\$ 49,750	\$ 20,022	\$ 34,228
Land	<u>21,383</u>	<u>--</u>	<u>--</u>	<u>21,383</u>
Total Non-Depreciable Capital Assets	<u>\$ 25,883</u>	<u>\$ 49,750</u>	<u>\$ 20,022</u>	<u>\$ 55,611</u>

**NOTE H - NON-CURRENT LIABILITIES**

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2005 and 2004 follows:

	<u>Balance 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2005</u>	<u>Current Portion</u>
Long-Term Debt:					
Revenue bonds	\$ 591,200	\$ --	\$ 220,753	\$ 370,447	\$ 72,800
Less unamortized discount and deferred financing costs	<u>10,976</u>	<u>--</u>	<u>6,765</u>	<u>4,211</u>	<u>--</u>
Total Long-Term Debt	580,224	--	213,988	366,236	72,800
Capital Lease Obligations	<u>417,191</u>	<u>--</u>	<u>89,842</u>	<u>327,349</u>	<u>93,600</u>
Total Non-Current Liabilities	<u>\$ 997,415</u>	<u>\$ --</u>	<u>\$ 303,830</u>	<u>\$ 693,585</u>	<u>\$ 166,400</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2004</u>	<u>Current Portion</u>
Long-Term Debt:					
Revenue bonds	\$ 788,819	\$ --	\$ 197,619	\$ 591,200	\$ 170,000
Less unamortized discount and deferred financing costs	<u>19,514</u>	<u>--</u>	<u>8,538</u>	<u>10,976</u>	<u>--</u>
Total Long-Term Debt	769,305	--	189,081	580,224	170,000
Capital Lease Obligations	<u>63,332</u>	<u>453,549</u>	<u>99,690</u>	<u>417,191</u>	<u>89,800</u>
Total Non-Current Liabilities	<u>\$ 832,637</u>	<u>\$ 453,549</u>	<u>\$ 288,771</u>	<u>\$ 997,415</u>	<u>\$ 259,800</u>

The 1995 Series Revenue Capital Improvement Refunding bonds were issued in March, 1995, and carried an interest rate of 6.06% through May, 2005. In May, 2005, the rate and terms of the bonds were renegotiated. The bonds now carry a current interest rate of 3.8% and mature in monthly installments through May, 2010. The bonds are collateralized by the Hospital's net revenues.

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

Assets recorded under capital leases consist of major movable equipment items with totals as follows:

	<u>2005</u>	<u>2004</u>
Cost	\$ 657,798	\$ 657,798
Less: Accumulated Amortization	<u>265,135</u>	<u>141,282</u>
Net Book Value	<u>\$ 392,663</u>	<u>\$ 516,516</u>

**GUTHRIE COUNTY HOSPITAL**  
Notes to Financial Statements  
June 30, 2005 and 2004

**NOTE H - NON-CURRENT LIABILITIES - Continued**

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

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 72,800	\$ 12,800	\$ 93,600	\$ 11,600
2007	75,600	10,000	97,500	7,700
2008	78,500	7,100	101,500	3,700
2009	81,600	4,000	34,749	334
2010	61,947	936	--	--
	<u>\$ 370,447</u>	<u>\$ 34,836</u>	<u>\$ 327,349</u>	<u>\$ 23,334</u>

The Hospital has entered into several operating leases for lease of space, for office equipment and for a chemistry analyzer. Future minimum lease commitments are as follows:

<u>Year ending June 30,</u>	<u>Minimum Lease Payments</u>
2006	\$ 73,986
2007	71,586
2008	41,961
2009	12,336
2010	9,252
	<u>\$ 209,121</u>

Expenses recorded under these leases was \$85,026 in 2005 (\$83,226 in 2004).

**NOTE I - DEFEASANCE OF DEBT**

In 1995, the Hospital defeased certain revenue bonds by placing the proceeds from the revenue notes and the debt service reserve fund of the old bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Hospital's financial statements. At June 30, 2005, \$895,000 of bonds outstanding are considered defeased.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE J - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

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 3.70% of their annual salary and the Hospital is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were approximately \$201,600, \$156,400, and \$135,100, respectively, equal to the required contributions for each year.

NOTE K - COMMITMENTS AND CONTINGENCIES

Note Payable

The Hospital has entered into an agreement with the Guthrie County Rural Electric Cooperative Association (the cooperative) under the Rural Economic Development Loan and Grant Program. Under the terms of the agreement, \$183,050 was advanced to the Hospital through a non-interest bearing note, payable in 40 equal quarterly installments through June, 2013. Through a separate agreement, the Hospital subsequently loaned the \$183,050 to Little Panther Daycare (the daycare) to be used for the construction of a daycare facility in Panorama, Iowa. This note receivable from the daycare is also non-interest bearing. It is payable in 120 equal monthly installments through June, 2013 and is secured by a mortgage agreement on the daycare's assets. The note receivable from the daycare is further guaranteed by three area businesses who each separately entered into agreements with the Hospital guaranteeing 25% of the total amount owed by the daycare to the Hospital after the sale of collateral. The offsetting note receivable and note payable of \$146,440 at June 30, 2005 (\$164,745 at June 30, 2004) have not been recorded on the Hospital's balance sheet.

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. Guthrie County 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 fiscal years.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2005 and 2004

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

During the year ended June 30, 2004, the Hospital entered into a construction project for a physical therapy/congregate meals building. The estimated cost of the project is approximately \$950,000. At June 30, 2005, costs incurred on this project totaled approximately \$762,900. Financing for the project is being provided by funds generated internally and capital fund-raising.

\* \* \*

REQUIRED SUPPLEMENTARY INFORMATION

**GUTHRIE COUNTY HOSPITAL**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2005**

The 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 depreciation, interest, and net assets differently for financial statement and budget purposes.

	<u>Per Financial Statements</u>			
	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>	
Amount raised by taxation	\$ 867,289	\$ --	\$ 867,289	
Other revenues	6,357,186	209,971	6,567,157	
Transfers in (out)	<u>209,971</u>	<u>( 209,971)</u>	<u>--</u>	
	7,434,446	--	7,434,446	
Expenses	<u>7,007,930</u>	<u>--</u>	<u>7,007,930</u>	
Net	426,516	--	426,516	
Balance beginning of year	<u>4,341,585</u>	<u>--</u>	<u>4,341,585</u>	
Balance end of year	<u>\$ 4,768,101</u>	<u>\$ --</u>	<u>\$ 4,768,101</u>	
	<u>Total Per Financial Statements</u>	<u>Budget Adjustments</u>	<u>Budget Basis</u>	<u>Adopted Budget</u>
Amount raised by taxation	\$ 867,289	\$ --	\$ 867,289	\$ 834,920
Other revenues	<u>6,567,157</u>	<u>49,242</u>	<u>6,616,399</u>	<u>7,224,553</u>
	7,434,446	49,242	7,483,688	8,059,473
Expenses	<u>7,007,930</u>	<u>( 354,974)</u>	<u>6,652,956</u>	<u>7,309,473</u>
Net	426,516	404,216	830,732	750,000
Balance beginning of year	<u>4,341,585</u>	<u>( 295,273)</u>	<u>4,046,312</u>	<u>4,046,312</u>
Balance end of year	<u>\$ 4,768,101</u>	<u>\$ 108,943</u>	<u>\$ 4,877,044</u>	<u>\$ 4,796,312</u>

See Independent Auditor's Report.

ACCOMPANYING INFORMATION

**GUTHRIE COUNTY HOSPITAL**  
**Patient Receivables**  
**June 30,**

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 679,886	51%	\$ 642,266	55%
31 - 60	216,984	16	212,890	18
61 - 90	137,152	10	79,653	7
91 - 150	128,043	9	101,186	9
151 - 180	40,450	3	21,071	2
181 and over	143,319	11	107,817	9
	<u>1,345,834</u>	<u>100%</u>	<u>1,164,883</u>	<u>100%</u>
Allowance for doubtful accounts	189,384		86,343	
Allowance for contractual adjustments	<u>168,000</u>		<u>39,000</u>	
	<u>\$ 988,450</u>		<u>\$ 1,039,540</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Balance, beginning	\$ 86,343	\$ 77,130
Provision for bad debts	253,687	165,748
Recoveries of accounts previously written off	<u>155,132</u>	<u>185,023</u>
	495,162	427,901
Accounts written off	<u>305,778</u>	<u>341,558</u>
Balance, ending	<u>\$ 189,384</u>	<u>\$ 86,343</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
Inventory/Prepaid Expense  
June 30,

	2005	2004
<u>Inventory</u>		
Medical and surgical supplies	\$ 40,385	\$ 31,540
Laboratory	28,831	29,933
Pharmacy	60,504	63,171
Business office	5,237	4,992
Other	20,168	23,200
	\$ 155,125	\$ 152,836
 <u>Prepaid Expense</u>		
Insurance	\$ 10,884	\$ 40,749
Service contracts and dues	57,179	43,533
	\$ 68,063	\$ 84,282

See Independent Auditor's Report.

**GUTHRIE COUNTY HOSPITAL**  
**Patient Service Revenue**  
**Year ended June 30,**

	2005	
	Inpatient	Outpatient
<b>Daily Patient Services:</b>		
Medical, surgical and obstetric	\$ 638,025	\$ --
Special care	26,550	--
Swing bed	--	--
	664,575	--
<b>Other Nursing Services:</b>		
Cardiac rehabilitation	--	105,784
Operating and recovery rooms	45,148	415,304
Emergency room	8,251	452,100
Central services and supply	21,370	74,817
Intravenous therapy	32,027	46,005
Observation	2,810	326,545
Telemetry	--	--
	109,606	1,420,555
<b>Other Professional Services:</b>		
Laboratory	109,682	1,186,596
Blood	8,171	20,956
Electrocardiology	8,819	63,162
Radiology	18,455	282,946
CT scan	61,898	505,939
Ultrasound	8,354	187,146
Mammography	--	91,296
Nuclear imaging	593	10,034
MRI	4,645	395,143
Pharmacy	165,571	545,983
Anesthesia	23,934	103,371
Respiratory therapy	79,587	80,682
Speech therapy	1,170	6,598
Physical therapy	13,043	328,897
Occupational therapy	1,292	86,022
Neurology	--	25,087
Outpatient clinics	--	38,431
Diabetic education	--	27,321
Hospice	--	--
Clinic professional fees	--	--
	505,214	3,985,610
	\$ 1,279,395	\$ 5,406,165

See Independent Auditor's Report.

<u>Swing Bed</u>	<u>2005</u>		<u>2004</u>	
	<u>Clinic</u>	<u>Total</u>	<u>Total</u>	
\$ --	\$ --	\$ 638,025	\$ 477,250	
--	--	26,550	15,850	
<u>214,200</u>	<u>--</u>	<u>214,200</u>	<u>215,375</u>	
214,200	--	878,775	708,475	
--	--	105,784	63,048	
312	--	460,764	244,508	
--	--	460,351	341,197	
3,558	--	99,745	94,267	
12,841	--	90,873	68,692	
--	--	329,355	212,147	
--	--	--	31,417	
<u>16,711</u>	<u>--</u>	<u>1,546,872</u>	<u>1,055,276</u>	
31,238	5,719	1,333,235	1,113,480	
2,276	--	31,403	17,983	
934	--	72,915	61,604	
6,054	--	307,455	290,888	
8,775	--	576,612	414,321	
6,698	--	202,198	162,419	
--	--	91,296	81,882	
--	--	10,627	7,519	
6,349	--	406,137	215,885	
132,433	47,402	891,389	656,474	
--	--	127,305	81,370	
52,101	--	212,370	159,941	
6,733	--	14,501	66,936	
78,727	--	420,667	390,255	
24,416	--	111,730	140,741	
--	--	25,087	--	
--	--	38,431	35,123	
--	--	27,321	1,584	
12,600	--	12,600	--	
--	411,897	411,897	370,804	
<u>369,334</u>	<u>465,018</u>	<u>5,325,176</u>	<u>4,269,209</u>	
<u>\$ 600,245</u>	<u>\$ 465,018</u>	<u>\$ 7,750,823</u>	<u>\$ 6,032,960</u>	

GUTHRIE COUNTY HOSPITAL  
Revenue and Related Adjustments  
Year ended June 30,

	2005	2004
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 7,750,823	\$ 6,032,960
Contractual adjustments	( 1,286,118)	( 834,238)
Provision for bad debts	( 253,687)	( 165,748)
Charity care	( 34,119)	( 3,677)
	<u>\$ 6,176,899</u>	<u>\$ 5,029,297</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 62,921	\$ 48,920
Congregate meals	41,667	37,391
Ancillary service coverage revenue	25,796	47,713
Outpatient clinic rental	28,106	27,730
Fitness center	11,747	10,899
Laundry revenue	--	140
Wellness revenue	3,465	1,208
Pharmacy student income	2,000	2,400
Miscellaneous income	1,977	1,484
	<u>\$ 177,679</u>	<u>\$ 177,885</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
Nursing Service Expenses  
Year ended June 30,

	<u>2005</u>	<u>2004</u>
Administrative:		
Salaries and wages	\$ 62,991	\$ 57,086
Employee benefits	10,067	11,269
Supplies and other expense	<u>1,243</u>	<u>2,813</u>
	74,301	71,168
Medical, Surgical and Obstetric:		
Salaries and wages	649,774	553,188
Employee benefits	143,411	121,984
Supplies and other expense	<u>36,709</u>	<u>26,767</u>
	829,894	701,939
Cardiac Rehabilitation:		
Salaries and wages	46,402	34,643
Employee benefits	6,342	4,243
Supplies and other expense	<u>9,466</u>	<u>3,859</u>
	62,210	42,745
Operating and Recovery Rooms:		
Salaries and wages	31,734	23,869
Employee benefits	7,508	5,808
Supplies and other expense	<u>54,008</u>	<u>36,102</u>
	93,250	65,779
Emergency Room:		
Salaries and wages	56,129	293,890
Employee benefits	10,822	42,283
Professional fees	21,900	60,148
Supplies and other expense	<u>23,728</u>	<u>10,933</u>
	112,579	407,254
Emergency Room Professional:		
Salaries and wages	363,820	--
Employee benefits	<u>54,767</u>	<u>--</u>
	418,587	--

(continued next page)

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

	2005	2004
Central Services and Supply:		
Salaries and wages	\$ 49,812	\$ 32,999
Employee benefits	16,795	11,061
Supplies and other expense	25,229	21,310
	91,836	65,370
 Intravenous Therapy:		
Solutions and supplies	3,190	2,044
	\$ 1,685,847	\$ 1,356,299

SUMMARY

Salaries and wages	\$ 1,260,662	\$ 995,675
Employee benefits	249,712	196,648
Professional fees	21,900	60,148
Other expense	153,573	103,828
	\$ 1,685,847	\$ 1,356,299

See Independent Auditor's Report.

**GUTHRIE COUNTY HOSPITAL**  
**Other Professional Service Expenses**  
**Year ended June 30,**

	2005	2004
<b>Laboratory:</b>		
Salaries and wages	\$ 177,322	\$ 146,443
Employee benefits	52,755	45,448
Professional fees	1,344	1,200
Supplies and other expense	<u>196,886</u>	<u>156,132</u>
	428,307	349,223
 <b>Blood:</b>		
Blood	21,871	12,727
Supplies and other expense	<u>51</u>	<u>--</u>
	21,922	12,727
 <b>Electrocardiology:</b>		
Salaries and wages	2,937	2,978
Employee benefits	879	893
Supplies and other expense	<u>3,816</u>	<u>4,219</u>
	7,632	8,090
 <b>Radiology:</b>		
Salaries and wages	115,370	113,811
Employee benefits	18,962	18,480
Supplies and other expense	<u>31,051</u>	<u>40,129</u>
	165,383	172,420
 <b>CT Scan:</b>		
Salaries and wages	8,651	7,053
Employee benefits	1,542	1,239
Supplies and other expense	<u>55,102</u>	<u>25,231</u>
	65,295	33,523
 <b>Ultrasound:</b>		
Salaries and wages	4,559	4,323
Employee benefits	584	551
Supplies and other expense	<u>34,674</u>	<u>26,127</u>
	39,817	31,001
 <b>Mammography:</b>		
Salaries and wages	5,843	5,062
Employee benefits	982	813
Supplies and other expense	<u>6,555</u>	<u>9,314</u>
	13,380	15,189

(continued next page)

**GUTHRIE COUNTY HOSPITAL**  
**Other Professional Service Expenses - Continued**  
**Year ended June 30,**

	<u>2005</u>	<u>2004</u>
Nuclear Imaging:		
Supplies and other expense	\$ 6,324	\$ 4,708
MRI:		
Supplies and other expense	82,792	47,083
Pharmacy:		
Salaries and wages	165,379	99,560
Employee benefits	33,116	23,056
Professional fees	991	458
Drugs	255,379	241,716
Supplies and other expense	<u>13,939</u>	<u>7,663</u>
	468,804	372,453
Anesthesia:		
Professional fees	96,855	59,338
Supplies and other expense	<u>2,671</u>	<u>2,404</u>
	99,526	61,742
Respiratory Therapy:		
Salaries and wages	31,262	31,572
Employee benefits	6,043	8,606
Oxygen, supplies and other expense	<u>32,770</u>	<u>28,603</u>
	70,075	68,781
Speech Therapy:		
Professional fees	6,560	39,620
Supplies and other expense	<u>98</u>	<u>98</u>
	6,658	39,718
Physical Therapy:		
Salaries and wages	164,456	159,806
Employee benefits	35,809	36,360
Supplies and other expense	<u>13,059</u>	<u>57,198</u>
	213,324	253,364
Occupational Therapy:		
Professional fees	51,680	62,040
Supplies and other expense	<u>445</u>	<u>271</u>
	52,125	62,311

(continued next page)

**GUTHRIE COUNTY HOSPITAL**  
**Other Professional Service Expenses - Continued**  
**Year ended June 30,**

	2005	2004
<b>Neurology:</b>		
Salaries and wages	\$ 44,169	\$ 2,100
Employee benefits	5,918	281
	50,087	2,381
<b>Medical Records:</b>		
Salaries and wages	142,680	116,614
Employee benefits	31,948	25,812
Supplies and other expense	33,923	50,268
	208,551	192,694
<b>Social Services:</b>		
Salaries and wages	31,293	25,901
Employee benefits	4,217	6,118
Supplies and other expense	3,958	1,524
	39,468	33,543
<b>Outpatient Clinics:</b>		
Salaries and wages	39,927	31,062
Employee benefits	7,201	5,713
Supplies and other expense	8,190	2,267
	55,318	39,042
<b>Fitness Center:</b>		
Salaries and wages	8,244	9,238
Employee benefits	705	696
Supplies and other expense	2,134	1,527
	11,083	11,461
<b>Diabetic Education:</b>		
Salaries and wages	17,857	17,362
Employee benefits	2,500	2,335
Supplies and other expense	3,299	2,949
	23,656	22,646
	\$ 2,129,527	\$ 1,834,100

**SUMMARY**

Salaries and wages	\$ 959,949	\$ 772,885
Employee benefits	203,161	176,401
Professional fees	157,430	162,656
Other expense	808,987	722,158
	\$ 2,129,527	\$ 1,834,100

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
Physician Clinic Service Expenses  
Year ended June 30,

	2005	2004
<b>Physician Service:</b>		
Salaries and wages	\$ 293,325	\$ 125,407
Employee benefits	44,319	28,134
Professional fees	--	136,975
Supplies and other expense	25,281	15,680
	362,925	306,196
 <b>Nursing Service:</b>		
Salaries and wages	82,466	63,479
Employee benefits	18,000	11,106
Medical supplies	41,094	30,059
Supplies and other expense	7,332	3,849
	148,892	108,493
 <b>Business Office:</b>		
Salaries and wages	115,915	85,770
Employee benefits	37,022	23,252
Supplies and other expense	57,117	133,904
	210,054	242,926
 <b>Occupancy Costs:</b>		
Rent	13,538	12,996
Utilities	18,519	13,480
	32,057	26,476
	\$ 753,928	\$ 684,091

SUMMARY

Salaries and wages	\$ 491,706	\$ 274,656
Employee benefits	99,341	62,492
Professional fees	--	136,975
Other expense	162,881	209,968
	\$ 753,928	\$ 684,091

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
General Service Expenses  
Year ended June 30,

	<u>2005</u>	<u>2004</u>
Dietary:		
Salaries and wages	\$ 153,519	\$ 132,924
Employee benefits	40,295	38,023
Professional fees	7,176	11,268
Food	87,534	77,575
Supplies and other expense	<u>31,621</u>	<u>21,989</u>
	320,145	281,779
Operation of Plant:		
Salaries and wages	89,059	89,578
Employee benefits	19,652	16,031
Electricity	76,454	70,188
Gas	65,514	60,042
Supplies and other expense	<u>90,182</u>	<u>75,339</u>
	340,861	311,178
Housekeeping:		
Salaries and wages	76,247	53,943
Employee benefits	25,270	11,092
Supplies and other expense	<u>14,703</u>	<u>14,085</u>
	116,220	79,120
Laundry and Linen:		
Salaries and wages	53	--
Employee benefits	93	--
Purchased services	27,313	23,629
Supplies and other expense	<u>3,656</u>	<u>1,258</u>
	<u>31,115</u>	<u>24,887</u>
	<u>\$ 808,341</u>	<u>\$ 696,964</u>

SUMMARY

Salaries and wages	\$ 318,878	\$ 276,445
Employee benefits	85,310	65,146
Professional fees	7,176	11,268
Other expense	<u>396,977</u>	<u>344,105</u>
	<u>\$ 808,341</u>	<u>\$ 696,964</u>

See Independent Auditor's Report.

**GUTHRIE COUNTY HOSPITAL**  
**Fiscal and Administrative Service Expenses**  
**Year ended June 30,**

	2005	2004
<b>Fiscal and Administrative:</b>		
Salaries and wages	\$ 520,984	\$ 409,345
Employee benefits	127,254	96,949
Advertising	40,499	10,158
Telephone	11,606	12,621
Supplies and minor equipment	39,609	49,113
Collection expense	30,251	18,303
Computer maintenance	32,740	25,086
Education and meetings	6,341	6,055
Professional fees	80,597	120,674
Printing and postage	20,489	19,838
Purchased services	16,605	25,501
Dues and subscriptions	14,546	10,621
Miscellaneous	11,318	43,121
	952,839	847,385
 <b>Information Systems:</b>		
Salaries and wages	17,966	10,441
Employee benefits	4,255	1,001
Supplies and other expense	5,068	2,213
	27,289	13,655
 <b>Employee Welfare:</b>		
Salaries and wages	36,042	37,885
Employee benefits	6,086	6,321
Group health and life benefit	65,703	42,206
Workers' compensation insurance	41,929	24,998
Unemployment expense	--	2,233
Supplies and other expense	38,084	18,930
	187,844	132,573
 <b>Insurance:</b>		
Liability and property insurance	58,099	42,484
	\$ 1,226,071	\$ 1,036,097

(continued next page)

**GUTHRIE COUNTY HOSPITAL**  
**Fiscal and Administrative Service Expenses - Continued**  
**Year ended June 30,**

	<u>2005</u>	<u>2004</u>
<b><u>SUMMARY</u></b>		
Salaries and wages	\$ 574,992	\$ 457,671
Employee benefits	283,311	192,638
Professional fees	80,597	120,674
Other expense	<u>287,171</u>	<u>265,114</u>
	<u>\$ 1,226,071</u>	<u>\$ 1,036,097</u>

<b><u>SUMMARY OF EXPENSES</u></b>		
Salaries and wages	\$ 3,606,187	\$ 2,777,332
Employee benefits	920,835	693,325
Professional fees	267,103	491,721
Other expense	<u>1,809,589</u>	<u>1,645,173</u>
	<u>\$ 6,603,714</u>	<u>\$ 5,607,551</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
Comparative Statistics  
Year ended June 30,

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Acute Care:					
Admissions	322	292	290	397	426
Discharges	316	293	291	399	425
Patient days	904	880	871	1,133	1,162
Average length of stay	2.86	3.00	2.99	2.84	2.73
Average occupied beds	2.5	2.4	2.4	3.1	3.2
Swing Bed Program:					
Admissions	134	132	121	120	127
Discharges	135	135	117	120	127
Patient days	887	835	822	741	788
Combined Average Occupied Beds	4.9	4.7	4.6	5.1	5.3
Outpatient Occasions of Service	24,880	23,444	23,323	22,044	20,418

See Independent Auditor's Report.

**GUTHRIE COUNTY HOSPITAL**  
**Comparative Balance Sheets**  
**June 30,**

	2005	2004
<b>Current Assets:</b>		
Cash	\$ 551,187	\$ 743,378
Patient receivables, net	988,450	1,039,540
Other receivables	16,993	13,609
Inventory	155,125	152,836
Prepaid expense	68,063	84,282
Other current assets	24,529	13,918
Succeeding year property tax receivable	802,000	835,000
Internally designated assets	211,564	270,443
Total current assets	2,817,911	3,153,006
 <b>Other Assets:</b>		
Designated and restricted assets, net	1,194,726	1,298,559
Capital assets, net	3,098,830	2,609,011
Total other assets	4,293,556	3,907,570
 Total assets	\$ 7,111,467	\$ 7,060,576
 <b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 166,400	\$ 259,800
Accounts payable	187,637	159,345
Accrued expenses	390,873	301,867
Estimated third-party payor settlements	267,000	421,000
Accrued interest	2,271	4,364
Deferred revenue for succeeding year property tax receivable	802,000	835,000
Total current liabilities	1,816,181	1,981,376
 Long-Term Debt, Net	527,185	737,615
Total liabilities	2,343,366	2,718,991
 Net Assets	4,768,101	4,341,585
Total liabilities and net assets	\$ 7,111,467	\$ 7,060,576

See Independent Auditor's Report.

<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 953,038	\$ 789,288	\$ 371,621
743,347	762,722	820,179
38,759	15,019	43,447
139,002	127,537	121,760
68,711	48,997	63,621
15,717	15,431	10,188
770,000	630,000	623,000
236,500	207,980	198,113
<u>2,965,074</u>	<u>2,596,974</u>	<u>2,251,929</u>
1,302,351	997,746	957,411
<u>2,316,243</u>	<u>2,462,041</u>	<u>2,767,642</u>
<u>3,618,594</u>	<u>3,459,787</u>	<u>3,725,053</u>
<u>\$ 6,583,668</u>	<u>\$ 6,056,761</u>	<u>\$ 5,976,982</u>
\$ 214,700	\$ 206,100	\$ 191,700
163,312	112,059	108,619
228,739	219,851	201,201
304,000	97,000	212,000
4,149	5,219	6,918
<u>770,000</u>	<u>630,000</u>	<u>623,000</u>
<u>1,684,900</u>	<u>1,270,229</u>	<u>1,343,438</u>
<u>617,937</u>	<u>861,731</u>	<u>1,093,894</u>
2,302,837	2,131,960	2,437,332
<u>4,280,831</u>	<u>3,924,801</u>	<u>3,539,650</u>
<u>\$ 6,583,668</u>	<u>\$ 6,056,761</u>	<u>\$ 5,976,982</u>

**GUTHRIE COUNTY HOSPITAL**  
**Comparative Statements of Revenues, Expenses and Changes in Net Assets**  
**Year ended June 30,**

	<u>2005</u>	<u>2004</u>
Patient Service Revenue	\$ 7,750,823	\$ 6,032,960
Adjustments to Patient Service Revenue	<u>( 1,573,924)</u>	<u>( 1,003,663)</u>
Net Patient Service Revenue	6,176,899	5,029,297
Other Revenue	<u>177,679</u>	<u>177,885</u>
Total Revenue	6,354,578	5,207,182
Expenses	<u>7,007,930</u>	<u>5,990,247</u>
Operating Loss	( 653,352)	( 783,065)
Non-Operating Revenues, Net	<u>869,897</u>	<u>808,648</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	216,545	25,583
Capital Grants and Contributions	<u>209,971</u>	<u>35,171</u>
Increase in Net Assets	<u>\$ 426,516</u>	<u>\$ 60,754</u>

See Independent Auditor's Report.

<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 5,633,075	\$ 4,936,272	\$ 4,554,971
( 997,229)	( 819,271)	( 954,616)
4,635,846	4,117,001	3,600,355
<u>176,416</u>	<u>160,580</u>	<u>159,279</u>
4,812,262	4,277,581	3,759,634
<u>5,145,486</u>	<u>4,559,462</u>	<u>4,063,610</u>
( 333,224)	( 281,881)	( 303,976)
<u>653,672</u>	<u>636,732</u>	<u>495,305</u>
320,448	354,851	191,329
<u>35,582</u>	<u>30,300</u>	<u>18,795</u>
<u>\$ 356,030</u>	<u>\$ 385,151</u>	<u>\$ 210,124</u>

**COMMENTS AND RECOMMENDATIONS**

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

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

To the Board of Trustees  
Guthrie County Hospital  
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2005, and have issued our report thereon dated August 17, 2005. 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 Guthrie County Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Guthrie County Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we believe item 05-I-A is a material weakness.

To the Board of Trustees  
Guthrie County Hospital

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County 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 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of Guthrie County Hospital and other parties to whom the Hospital may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Stromwell, Bell, Kuhlman & Co. P.C.*

Atlantic, Iowa  
August 17, 2005

GUTHRIE COUNTY HOSPITAL  
Schedule of Findings  
Year ended June 30, 2005

PART I - REPORTABLE CONDITIONS

05-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.

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.

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PART II - REQUIRED STATUTORY REPORTING

05-II-A Official Depositories: A resolution naming official depositories has been adopted by the Board. During the audit, no deposits in excess of the limits were noted.

05-II-B Certified Budget: Hospital expenditures during the year ended June 30, 2005 did not exceed amounts budgeted.

05-II-C 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 March 12, 1975. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee Recognition Dinner	\$ 5,667

Recommendation: We recommend that the Board continue to authorize and 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 they meet the requirements of public purpose as defined by the Attorney General's opinion dated March 12, 1975.

Conclusion: Response accepted.

GUTHRIE COUNTY HOSPITAL  
Schedule of Findings  
Year ended June 30, 2005

PART II - REQUIRED STATUTORY REPORTING - Continued

05-II-D Travel Expenses: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

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

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

05-II-G 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, except for one instance where the Hospital received an interest rate on a certificate of deposit less than the minimum interest rate on public funds as established by the State Rate Setting Committee.

Recommendation: We recommend that the Hospital ensure that it receives the minimum interest rate on all deposits.

Response: The minimum interest rate will be obtained in the future. Additionally, we will request the interest rate be adjusted retroactively for the certificate which was below the minimum published rate.

Conclusion: Response accepted.

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